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HITLER'S “NEW ORDER” IN EUROPE

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P R E F A C E

AT the beginning of the war David Low published an immortal cartoon in the *Evening Standard* contrasting German propaganda methods, which are able to present the worst case in the world in the best possible light, with British propaganda methods, which somehow contrive to present the best case in the world in the worst possible light. This cartoon is worth recalling in connection with the attitude of the British Press and the B.B.C. in face of the sweeping Nazi propaganda campaign about the "New Order in Europe". Month after month this campaign has been allowed to proceed without any effective counterblast.

Admittedly, the highly efficient and competent Press Department of the Ministry of Economic Warfare has been making praiseworthy efforts to provide the factual material required for the refutation of the Nazi claim that under the "New Order in Europe" the nations under German control would enjoy unprecedented prosperity.

The result of these efforts has been, however, disappointing. Most newspapers devoted very little space to the subject beyond giving the facts of German exploitation in occupied countries; they let these facts speak for themselves. While it is undoubtedly useful that the world should know everything about the

systematic German plundering of the conquered countries, this in itself is not sufficient to dispose of the "New Order" propaganda. For the Nazis, realising that information about conditions prevailing in German-controlled Europe is bound to leak out, describe the existing state of affairs as purely transitional. They attribute the prevailing evils to the necessity of fighting the obstinate British who refuse to "accept the realities of the situation" and whose stubborn resistance postpones the moment when Germany can confer upon Europe the benefits of her "New Order".

In order to answer this argument it is necessary that the Nazi "New Order" propaganda should be dealt with thoroughly point by point, in its fundamental principles as well as its details. While it is essential that the facts of the German exploitation of oppressed countries should be disclosed even more systematically than has been done up to now, it is equally essential to examine, in the light of the facts relating to this exploitation, the points of the Nazi "New Order" programme in so far as they are available. Very little has been done so far in this direction. While occasional articles have appeared on the subject, hardly anyone has attempted to deal with it exhaustively and systematically. For a long time I was almost alone in trying to draw attention to the hypocrisy and sophistries of the "New Order" propaganda in my daily articles appearing in the *Financial News*.

The inadequate efforts made by the B.B.C. in order to counter the Nazi "New Order" propaganda are particularly deplorable. As far as the economic aspects of the "New Order" scheme are concerned,

the B.B.C. failed completely to present the other side of the picture. The Nazi campaign of false promises is allowed to proceed almost entirely uncontradicted. The inexhaustible material of facts provided by German broadcasts to the population of the conquered countries and faithfully recorded by the B.B.C. for internal use is wasted almost completely; yet careful and expert scrutiny would discover in that material day after day many points that would provide ammunition in a counter-offensive against the "New Order" propaganda campaign.

The result of the shortcomings of British propaganda has been the development of a vague idea that, after all, there must be something in this much advertised "New Order". This view receives support on the part of those who, in their effort to strengthen the case for post-war reforms of various kinds, present the "New Order" scheme as something worth having, and demand that democracy should offer something better, in order to compete with the German bid for the support of the conquered peoples. There is everything to be said in favour of a number of fundamental post-war reforms. It is deplorable, however, that those idealists who are in favour of such reforms should be so short-sighted as to play Hitler's game, lending themselves unwittingly to supporting the Nazi "New Order" campaign. The truth is that although conditions prevailing in democratic countries before the war were anything but ideal, their restoration in any of the conquered countries would constitute a hundred per cent improvement compared with their fate under the Nazi "New Order". This does not of course mean that we should not do our utmost to produce something

much better than the pre-war system. The case for improvement through reforms is unanswerable and can certainly not be strengthened by attempts to convey the entirely wrongful impression that under Hitler's "New Order" Europe would be more favourably placed than it was under the pre-war democratic system.

There is another small but vocal minority which unwittingly plays Hitler's game in supporting the "New Order" propaganda. It consists of economists belonging to various schools who have been hoodwinked by Nazi propaganda into believing that under the "New Order" their favourite doctrines would be put into operation. They are inclined to accept those parts of the "New Order" scheme which appear to conform to some extent with their pet theories. Moreover, some economists are addicted to a kind of intellectual snobbery by which they feel it is their duty as purists to concede points even to the enemy, and in their zeal to show themselves supremely impartial they are inclined to concede points even when there is no justification for doing so.

There are also those who believe in adopting a "heads you win, tails you won't lose" attitude towards Germany. They support the economic aspect of the "New Order" in order to make out a case in favour of conceding to Germany economic control over the Continent even in case of her defeat. Mr. C. W. Guillebaud is the most characteristic representative of this school of thought. His article "Hitler's New Economic Order for Europe", published in the December 1940 issue of the *Economic Journal*, appeared too late to be answered point by point in this book, but it is mainly the kinds of argument his

article contains that I have set out to denounce and disprove.

The object of this book is to deliver a frontal attack against the Nazi "New Order" scheme. Without overlooking its political aspects, the book deals mainly with its economic aspects. It covers the whole wide range of the Nazi programme. It describes the Nazi methods actually adopted during the period of peaceful penetration in South-Eastern Europe and those employed after the conquest of a number of countries. The policies disclosed by these facts are contrasted with the promises made by Nazi propaganda, and, in the light of past experience, the probable future course of Nazi policies is indicated. It is to be hoped that the material provided in this volume will stimulate others to investigate closely the Nazi "New Order" scheme, and that the literature which will develop on the subject will make good the omissions of the past. The Nazi "New Order" propaganda was allowed to proceed far too long almost uncontradicted. It is high time those best qualified to deal with it should take action.

P. E.

20 BISHOPSGATE, E.C.2

December 1940

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CHAPTER I

ORIGINS OF THE "NEW ORDER" PROPAGANDA

IN June 1940 Western Europe lay prostrate under the feet of the conquering German armies. The military power of France was shattered and the German forces were established along the western coast of Europe from Norway to the Bay of Biscay. It looked as though the completion of Hitler's triumphal march through the conquest of Britain was a mere question of weeks. Everybody was awaiting the conqueror's pronouncement about the fate of conquered Europe. There was not the slightest hope that Hitler would follow Bismarck's example in treating his defeated enemies generously, or even leniently. Past experience showed that he is ruthless and greedy in the hours of victory. Moreover, it was his declared aim, expressed in *Mein Kampf* and many times since, to bring Europe under German control. The only thing which remained in doubt was the exact form and degree of that control. Would he simply join the conquered countries to the Reich as he did the Sudeten districts and certain districts of Poland? Would he call them Protectorates? Would he allow them to retain a show of autonomy under subservient Quisling régimes? And, above all, what would be the economic relations between conqueror and conquered?

The exact form of political domination was regarded as a mere matter of detail and few people had any illusions about the bitter fact that their countries would henceforth be under German rule. Many people, however, were hoping that the economic aspects of that rule might at any rate be tolerable; that, although they would have to live without any political rights and freedom, at any rate they would be allowed to live.

Berlin lost no time in announcing its intentions. The invasion of the Low Countries and France was followed by the invasion of the ether and of the World Press by a sweeping campaign carried out with all the resources of Nazi propaganda. The population of the conquered countries and the world in general was told on over a hundred wavelengths and in dozens of languages that Hitler had decided to establish a "New Order in Europe".

Most pronouncements on the subject were more or less vague; they contradicted each other and often even themselves. Nevertheless, from the flood of statements during the summer and autumn of 1940 it was possible to form an idea of what was the conqueror's declared intention, as distinct from his real intention. No doubt was left about it that politically the "New Order" meant blind obedience to instructions from Berlin. The countries which were conquered and those intended to be conquered were told that they must "accept the realities of their situation" and, instead of indulging in futile hopes of ever regaining their freedom, they must submit to the plans Germany elaborated for them. They were promised political stability in place of their freedom. They were told that they would be

relieved for ever of the nightmare of war fears once the conquest of Europe was completed through the defeat of Britain. This was the "compensation" promised to them in the political sphere.

In the economic sphere the conquered nations were promised generous compensation for the loss of their independence. They were told by the Nazi Press that Hitler's victory was the forerunner of the advent of a "Golden Age in Europe". The beneficial effects of the organisation of European economy by Germany were painted in glowing colours. To believe the words of Nazi propaganda, from the point of view of the conquered countries their defeat by Germany was really a blessing in disguise. If only they willingly submitted to their unalterable fate and agreed to collaborate in the "New Order" scheme, they would have no reason to regret the change.

To countries such as Czecho-Slovakia and Poland which have been under German domination for some time, this "New Order" propaganda must have sounded strange. They had ample experience to show how Germany treated conquered countries. Czechs and Poles, and even Danes and Norwegians after their much briefer experience of German domination, must have appreciated the grim humour of the German promise of inaugurating a "new Golden Age in Europe". In their experience that Golden Age consisted of the misappropriation of their gold and other national assets by Germany. Nor did it take very long for the populations of the more recently conquered countries to realise the difference between Nazi words and actions.

Those who retained their sense of humour in spite of persistent persecution and oppression referred to

the German scheme as the "New Disorder in Europe". Those with some knowledge of history were aware that the system inaugurated by the conqueror was in reality a very old order ; indeed, it was the oldest order in the history of mankind. During the Dark Ages the conqueror destroyed or enslaved the conquered populations. During more enlightened ages the victor inflicted a more or less severe punishment upon the vanquished, but allowed him to survive somehow and gave him a chance to recover. In the experience of Poland and Czecho-Slovakia, Nazi Germany reverted to the "Old Order" by mercilessly exterminating or enslaving the vanquished nations.

Before embarking upon the detailed description and critical examination of the German "New Order" scheme, let us cast a glance upon its origins. Its name can hardly claim the merit of originality. While the Germans are past masters in the art of inventing new words to suit the requirements of their propaganda, on this occasion they borrowed a term from another nation which in chronological order was the first to commit an act of aggression since the end of the last war. It was the Japanese nation that first applied the term "New Order" to a system of control over territories conquered by armed force. "The New Order in Asia" was a term frequently used years before "the New Order in Europe" appeared in print. Under "the New Order in Asia" the whole of China and subsequently other Asiatic countries would be organised under Japanese rule. These countries would retain a show of autonomy and would be ruled by puppet Governments taking their orders from Tokio.

While the term "New Order" was borrowed from

Japan, the idea itself was essentially German. It existed in Germany long before the development of Japanese Imperialism. Before the last war it assumed the form of a *Mittleuropa* movement combined with the *Drang nach Osten*. At that time Germany was frankly Imperialistic and did not consider it necessary to conceal her plans of crude conquest behind any pretence of looking after the interests of the conquered. It is only since the advent of the Nazi régime that hypocrisy has become one of the main characteristics of German propaganda. The adaptability of German propaganda under Nazi guidance compels reluctant admiration. It was not until the final phases of the conquest of the Western countries that the "New Order" scheme made its appearance. Until then there was no need for it; other slogans were more suitable for the purpose of the moment. During the early years of the Nazi régime the most suitable slogan was to "fight against the injustices created by the Versailles Treaty". This slogan was able to disarm opposition to Hitler's schemes in Great Britain where it was widely felt that Germany was treated unjustly at Versailles, and that the British nation should not support France in her efforts to uphold the *status quo* created by the Peace Treaties. Thanks to the skill with which Hitler chose his slogan, the British nation was effectively divided about the reoccupation of the Rhineland and other arbitrary acts committed in order to remove the disabilities placed upon Germany by the Treaty of Versailles. Even the annexation of Austria was viewed in Britain with moderate disfavour only, on the ground that it disposed of one of the one-sided restrictions placed upon Germany by the Peace Treaties.

By that time the "injustices of Versailles" slogan was beginning to wear thin, however, and was supplemented by a new slogan — that of the unification of all Germans within the borders of the Reich. With the aid of this new slogan it was possible to establish claims far beyond the mere correction of injustices committed at Versailles. It was possible to claim parts of Czecho-Slovakia which did not belong to the Reich before 1914. And since there are German-speaking colonies scattered all over Central and South-Eastern Europe, this slogan had distinct possibilities. In itself, however, it was not sufficient to persuade people outside Germany that merely because there are so many hundreds of thousands of Germans living in Hungary, Rumania or Yugoslavia, Germany is entitled to claim the incorporation of these countries into the Reich. Consequently, the slogan of the self-determination of minorities was supplemented by the *Lebensraum* slogan.

Germany, according to Nazi propaganda, was entitled to her living space, by which it meant the countries whose products and markets were complementary to her economy. Since Germany was not self-sufficient in food and raw materials, the agricultural countries contiguous to her must be brought under her control in order to secure her vital food and raw material requirements in case of a war, blockade or sanctions. The mere fact that a country on the European continent happened to produce goods needed by Germany and provide markets for Germany's surplus manufactures condemned the country concerned to the fate of becoming part of Germany's *Lebensraum*. It did not for the moment occur to the exponents of the *Lebensraum* doctrine

that these countries too have rights and interests. What is worse, many people outside Germany were also taken in by the skilfully chosen slogan. They were inclined to take a lenient view of Germany's endeavours to secure control over South-Eastern Europe on the ground that, after all, all that Germany wants is to live, which is her right. That the small countries at whose expense Germany wished to live were also entitled to live as Sovereign States was apt to be overlooked by these people, who seriously thought that once Germany's vital requirements were satisfied the problem of German expansionism would cease to disturb Europe.

To strengthen the *Lebensraum* slogan, Nazi propaganda invented yet another term — that of *Grosswirtschaftsraum*. It was argued that every Great Power had at its disposal vast spaces on which to develop its economic system. Great Britain and France had their vast Colonial Empires. The United States and Soviet Russia had immense territories and resources of their own. Japan secured for herself space on the mainland of Asia through the conquest of Manchukuo and part of China. Even Italy had her *Grossraum* since the conquest of Abyssinia. It was only Germany that was confined to her own relatively narrow and over-populated space. According to this argument, unless she was allowed to extend her control over additional territories, she would not be in a position to develop her economic system in accordance with the requirements and standing of a Great Power.

All these slogans were adequate for the requirements of Nazi expansionism during the initial stages of the German conquest of the Continent. Indeed, it

would have been a tactical error on the part of Germany to adopt a slogan indicating her intention to establish herself permanently as the ruler of Europe. Had this been done before Munich history might have taken a different turn. But at the time of Munich Mr. Chamberlain was not yet quite satisfied that Hitler wished to extend his control over any non-German territory or that German expansionist policy entertained wider ambitions than to secure some very vague control over a few South-Eastern countries that were regarded as forming part of her living space. Even after the outbreak of war Nazi propaganda was careful not to give away the full extent of Germany's ambitions. Poland was attacked under the excuse of liberating oppressed German minorities. Military necessity was given as the excuse for invading Denmark and Norway. The alleged threat of the invasion of Western Germany was declared to be the reason for which Germany launched out her offensive against the Low Countries.

After the victories in Flanders and France, however, it was considered timely to change the slogan of German propaganda. It was no longer possible to whine over the injustices of Versailles, considering that the injustices about to be inflicted upon other countries by Germany were to overshadow anything committed by the Allied statesmen in 1919. Nor was it any longer in keeping with the enhanced power and prestige of victorious Germany to plead for living space. The greater part of the Continent west of the Russian border was either actually under German military domination or at the mercy of Germany.

In face of this new situation Nazi propaganda had a choice between two alternatives. Relying upon the

immense power of the German military machine, it could have chosen to be brutally frank. It could have discarded every pretence and declared that in the countries which were defeated or which surrendered, Germany was established by right of conquest, which implied the right of free disposal over the life and property of the conquered peoples. In practice that is in fact what German rule in the conquered countries has amounted to. Nevertheless, Nazi propaganda preferred to be subtle rather than frank. It elaborated a formula by which it was hoped to secure the passive submission of the conquered, if not their active collaboration, and which stood a chance of gaining supporters to the proposed German system in neutral countries and even in Great Britain.

Accordingly it was declared that Germany's intention in conquering and retaining control over territories to which she is not entitled on ethnological, historical, geographic, strategic or economic grounds was not in any way to enslave the nations concerned, but to establish a régime for the mutual benefit of conqueror and conquered. The conquered nations would be under Germany's protection and would be safeguarded against domination or interference by Great Britain. They would be given internal political stability and would be spared all the inconvenience of frequently changing Governments and eternal political quibbles. They would be given the external political stability of the *Pax Germanica*, and, above all, they would be given economic stability and prosperity. Such advantages, according to the German propaganda argument, easily outweigh the much overrated advantages of freedom and independence. From the point of view of the countries

outside the German system in which the "New Order" is applied, the establishment of a United States of Europe under German control would present, it was claimed, very substantial advantages. Owing to the immense success of the political and economic unity established within the United States of North America, this argument was very tempting indeed. It had special appeal for the American public.

Having succeeded in securing military, political and economic control over a number of countries, Germany promptly elaborated principles to justify her control. It was not sheer coincidence that the "New Order in Europe" propaganda was launched out immediately after the conquest of Western Europe. In the historical evolution of German expansionism this slogan constitutes a landmark. Its appearance indicated that a stage has been reached at which control over the Continent west of Russia has virtually been achieved. Let it be noted that the "New Order" scheme is not confined to Central Europe or to what was formerly described as belonging to Germany's living space. That stage has now been passed. The next stage, if it is reached, will be indicated by the appearance of a new slogan of Nazi propaganda. Should Germany ever succeed in overcoming British resistance, the new phase in historical evolution would be heralded by the announcement of Germany's intention to extend her "New Order in Europe" and develop it into a "New World Order".

CHAPTER II

POLITICAL ASPECTS OF THE "NEW ORDER"

ALTHOUGH this book is mainly concerned with the economic aspects of Hitler's plan for a "New Order in Europe", the material would not be complete without devoting some space to its political aspects. After all, complete political control is a preliminary condition of imposing upon Europe the economic system of the "New Order".

Authoritative statements regarding the political aspects of the "New Order in Europe" are even more vague than those concerning its economic aspects. Nevertheless, from such statements as are available and from practical experience in various countries under German occupation, it is possible to deduct certain conclusions indicating Germany's intentions.

The basic fact is that the "New Order" will not be the result of voluntary collaboration between equal partners, but will be imposed upon the weak Continental countries by Germany. To be able to do so, her political control over the countries covered by the scheme must be complete. Official statements do not indicate which exactly are the countries the Nazi Government has in mind. In some statements Soviet Russia and Italy are specifically mentioned as

being outside the "New Order", but this is presumably only for the purpose of allaying suspicions in Rome and Moscow about Berlin's ultimate intentions. There can be no doubt that the "New Order in Europe" is meant to be applied to the whole of Europe, including a conquered Britain. At the same time it is probable that the application of the "New Order" scheme will not be delayed merely because the conquest of Europe is not yet complete. So long as Great Britain holds out, so long as the time for the attack on Soviet Russia has not yet arrived, and so long as Germany considers Italy more useful as a partner than as a conquered country, the scheme can and will proceed in the remaining parts of the Continent. That is, in so far as the military power of Germany is able to secure obedience to Berlin's instructions. Several of the smaller countries such as Greece, Portugal, European Turkey and possibly Switzerland, Sweden and Finland, are still holding out. Spain also is too much dependent upon her overseas trade for her existence to submit to the "New Order in Europe" so long as German troops remain on the northern side of the Pyrenees. On the other hand, Rumania and Hungary form part of the German scheme, and possibly Yugoslavia and Bulgaria may be forced to participate even in the absence of actual German military occupation.

No specific date from which the "New Order" is to begin to function is ever mentioned. The truth of the matter is, however, that the system is already functioning, even though Nazi propaganda would like to convey the impression that it cannot begin to operate until the British resistance is overcome. This attitude is quite understandable, for,

since the "New Order" is represented as an ideal state of affairs, while conditions in countries under German occupation are very far indeed from being ideal, it suits the purposes of the Nazis to put the blame on Britain for the delay of the advent of the "Golden Age". As a matter of fact, the political conditions of the "New Order" are fully present in the countries under German control. To a large extent its economic aspects have also been adopted. The Nazis would of course never admit this, for it would amount to the admission that the "New Order" is nothing but ruthless exploitation of the conquered. As far as the political aspects are concerned, however, it is beyond dispute that the control of Berlin over the conquered countries is already fully in force.

The detailed application of the system under the "New Order" can be effected gradually. It may take some time before the economic reorganisation of the conquered parts of the Continent is completed. There is no reason, however, why this reorganisation should not be proceeded with in spite of the British resistance to the complete conquest of Europe. In fact it is being proceeded with, that is, in so far as the German Government really intends to apply it. Any of the "constructive" points in the plan can be held back on the excuse that they cannot be applied so long as there is a state of war. On the other hand, any of the points which the Nazis really want to adopt are gradually being adopted.

The existence of an overwhelmingly strong German army is the fundamental political condition of the "New Order in Europe". It is not absolutely necessary from the point of view of the "New Order" that the German army should be in actual occupa-

tion. The mere fact that it is in a position to invade the countries concerned without encountering any appreciable resistance is sufficient to secure the political conditions required for the establishment of the "New Order". For this reason it is by no means certain that the countries included in that system will be under continuous German military occupation. It is, of course, conceivable that under the "New Order" the Reichswehr will play the part of the Roman legions which had controlled every part of the ancient world under the rule of Rome. The chances are, however, that Hitler will copy the Napoleonic system under which certain countries were actually brought within the borders of the Empire, others were ruled by friendly régimes set up and maintained with the aid of French bayonets, while others again were under indirect but none the less effective political control.

Hitler is also likely to imitate Napoleon in re-organising from time to time the political system of the countries under his control. Some changes of that kind have in fact already taken place. After the defeat of the Polish armies German-controlled Poland was divided into two parts. The districts which formerly belonged to Germany, some parts which formerly belonged to Austria and the district of Lodz were incorporated in the Reich, while the rest of German-occupied Polish territory was converted into a "General-Gouvernement". At the end of August 1940, however, the German Government changed its mind and announced that the territory of the "General-Gouvernement" had also been incorporated in the *Machtgebiet* of the Reich, whatever that might mean.

It is probable that certain of the conquered terri-

tories will be formally incorporated into the Reich. This will be done with Schleswig and Alsace-Lorraine on the ground that these territories were detached from Germany by the "unjust" Treaty of Versailles, and that both ethnologically and historically they formed part of the Reich. Other territories such as the part of Lorraine which after 1871 was left under French control will be added to the Reich on the ground of economic necessity. Other territories again will be made to form permanent parts of the Reich for strategical reasons. The Grand Duchy of Luxemburg was incorporated in the Reich and her fate is likely to be shared by other territories. It is unlikely that the Reich would ever relinquish the military control of the Channel Ports and the whole strip of territory running along the sea-coast of the conquered countries, though conceivably Germany does not intend to incorporate these territories formally into the Reich. These and other territories will remain under permanent military occupation, but from time to time decisions will be taken in Berlin changing their status for no particular reason. The tendency will of course be for the borders of the Reich to expand. Nevertheless, it may be found convenient to maintain a number of vassal countries, nominally independent of the Reich, but nevertheless under complete German control.

It is conceivable that some of the countries which are meant to participate in the "New Order" scheme will never be actually subject to military occupation. It is even conceivable that the German occupation army will be withdrawn from some of the conquered countries. This would not in any way diminish the effectiveness of German control. After all, these

countries would be entirely at the mercy of Germany. Their defence forces, apart from those of France, were never strong enough to resist Germany with any chance of success. After their defeat they simply ceased to count as military powers. Their armies have been demobilised and the entire supply of their war material has been removed to Germany. Nor are they in a position to reconstruct that supply. While some of their arms industries are now working full time to execute orders for the Reichswehr, other factories have already been dismantled and their machinery transferred to Germany. It is certain that before the last German soldier left their territory all the remaining war material factories would also be dismantled.

The Germans, in their effort to prevent any attempt to shake off their yoke, will go even further. They intend to demobilise even those industries of the countries under their control which are not strictly speaking arms industries but, in possession of which, these countries would be in a position to build up arms industries. To be on the safe side, they will be simply reduced to the status of agricultural countries and will thereby be deprived for ever of the chance of withstanding the industrial and military might of the all-powerful Reich. Moreover, Germany would keep a watchful eye on the internal production and imports of the countries whose direct military control she relinquished. Under the "New Order" scheme their foreign trade would be entirely controlled by Germany, and this would effectively prevent the purchase of arms abroad. The Gestapo agents would see to it that no clandestine manufacturing or smuggling of arms should take place on any substantial scale.

Germany had eighteen years' experience in the circumvention of the disarmament clauses of the Treaty of Versailles before those clauses were unilaterally scrapped by Hitler. What she does not know about methods of concealing arms, manufacturing them or preparing the machinery required for their manufacture, is not worth knowing. The oppressed countries will have to learn a great deal before they stand a chance to outwit their German jailers in this respect.

The military occupation of the conquered countries will not be discontinued unless and until a régime friendly to Germany has been safely established. Possibly the promise of the withdrawal of German troops will be used for the purpose of gaining local support for the various Quisling régimes. Conversely, nations which show themselves unwilling to "accept the realities of the situation" will be threatened with incorporation into the Reich. In Norway, for instance, side by side with the detested Quisling there is also the German High Commissioner Terboven (the anagram of whose name is very appropriately "Verboten") who is destined to be Gauleiter for the province of Norway should Quisling's attempt to obtain some degree of support for his Government of traitors fail completely.

Whether or not the occupation armies are withdrawn, the German Government would like to see local Nazi Governments established in those conquered territories which are not actually annexed by the Reich. It saves a great deal of trouble if the routine work of the administration is done by these local Governments, Berlin confining itself to laying down the outlines of their policy. These Govern-

ments would also divert upon themselves some of the hatred which would otherwise be directed against Germany. When they became intolerably unpopular they could be replaced by another set of traitors willing to serve German interests.

Even if it proved to be impossible to form Quisling régimes with any pretence of local support, the purely routine part of the administration would be left, for a time at any rate, in the hands of the local administrative organisation. Those who take a share in this administration are not necessarily traitors. They may feel that they serve their nation if they carry on the routine work that is necessary for the existence of a modern community. Were they to relinquish their posts the result would be complete chaos, as it would take some time before Germany would be able to produce a set of civil servants able to take charge in a strange country. Meanwhile, the local population would suffer considerable hardships through the breakdown of the administrative organisation. On the other hand it is true that, even though the conquered population would be the immediate victim of such a breakdown, it would also aggravate considerably the task of the Germans to uphold their régime amidst chaotic internal conditions. A considerable part of the energy which is at present concentrated upon maintaining the efficiency of the German war machine would then have to be diverted to the local administration of conquered countries, in order to maintain there tolerable conditions.

There can be no doubt about it, however, that the ultimate end of Germany is gradually to replace the local administrations in occupied countries by German administrations. As soon as this is practicable all the

senior posts will be filled with Germans or with local traitors considered trustworthy from the German point of view. Even in countries from which the occupation armies would be withdrawn the Germans would probably leave behind administrators or observers in key positions to ensure that Berlin's instructions are executed faithfully in all detail.

The puppet Governments established in countries under German control under the "New Order in Europe" need not necessarily be Nazi Governments. While it stands to reason that Berlin is more likely to trust Nazis than non-Nazis, it is probable that Germany's policy in the countries under her control will be based upon playing up various sets of traitors, Nazi or otherwise, against each other. Possibly the various rival factions of local Nazis would suit her purpose, but, if not, she would not hesitate to give her support to a régime which, while subservient enough, is not based on Nazi principles.

There is this fundamental difference between Communist and Nazi expansionist policy: while the aim of the extension of the borders of Soviet Russia is to expand the territory on which the Communist system is fully applied, it is not the primary aim of Nazi Imperialism to convert by armed force other countries to the Nazi creed. The Nazi aim is to increase the power and improve the standard of living of the German *Herrenvolk*, and this aim would not be best served if the conquered peoples were to be admitted on an equal footing with the Germans. Once, during the early phase of Fascism in Italy, Mussolini declared that Fascism was not an article for export, and this is doubtless substantially true regarding Nazi-ism. If in spite of this Germany has,

during recent years, fostered Nazi movements all over the world, both within the various German colonies and among the local foreign population, it was purely a matter of opportunism. The existence of a strong Nazi movement was likely to influence the foreign policy of the countries concerned in favour of Germany, and if the worst came to the worst it would provide powerful Fifth Columns. Once the German conquest was complete there was no longer any particular reason for supporting the local Nazi movements except in so far as they helped to consolidate the German control over the territories concerned.

Such is the hatred of Germany in these countries that even those who before the conquest were inclined to flirt with Nazi doctrines now reject them because they are the conqueror's creed. In most conquered countries the percentage of Nazis to the total population, which was never very large, is now smaller than before their conquest.

It would be a mistake to imagine that even if the conquered nations, exhausted in their efforts to regain their freedom or to resist Germany in any way, were to throw themselves wholeheartedly into the local Nazi movements, they would in any way escape their fate. After all, Nazi movements are essentially nationalistic, and to carry their doctrines to their logical conclusion would lead to stiffening resistance to foreign influence rather than abandoning it. This of course implies good faith on the part of the Nazi leaders, which in the case of most of them is entirely absent. From a German point of view it would be detrimental to the standard of living of the *Herrenvolk* if Nazified conquered nations were to be admitted on an equal footing with Germans under the "New

Order in Europe". They simply have to be exploited and their standard of living has to be reduced, in order to be able to increase the standard of living of the Germans. While, as a matter of temporary expediency, some of the conquered nations may be led to believe that they can collaborate with their conquerors on an equal footing, as soon as the practical necessity responsible for this policy has ceased the concessions granted would be unhesitatingly withdrawn. Taking a long view, therefore, the conquered nations stand to gain nothing by aping the political system of their rulers, any more than the slaves in the Roman Empire would have benefited by deceiving themselves into believing that they were Roman citizens.

To sum up, it is of relatively small importance whether the conquered territories are actually annexed to the Reich, whether they are kept under permanent military occupation, or whether subservient local régimes are left nominally in charge. It is also a matter of indifference what sort of local régimes are set up. The German attitude towards the administration of the conquered countries will be that it does not matter what they do, so long as they do as they are told. What really matters from the point of view of the establishment of the "New Order in Europe" is that these countries will be under full German control in a military, political and economic sense. This being the case, there is no point in pursuing any further the speculation about the exact nature of the military and political control. For the purposes of the rest of the book we shall simply assume — and as is shown by the foregoing with every right — that German control over the countries which

are made to participate in the "New Order in Europe" will be fully effective. Germany will be in a position to establish any economic system she chooses to, that is, subject to the limitations imposed upon her by the working of economic laws which cannot be altogether overruled even by dictators.

CHAPTER III

ECONOMIC ASPECTS OF THE "NEW ORDER"

THE political aspects of the "New Order", as summarised in the previous chapter, can only be ascertained by inference from the practical experience in countries under Nazi rule. Nazi statesmen are remarkably reluctant to go into details of their political plans for Europe. On the other hand, they are very generous in giving full details of their intentions — or to be exact, of what they claim to be their intentions — in the economic sphere. We are in a position to draw upon a wealth of material provided by broadcast statements and newspaper articles about the details of the economic aspects of the "New Order in Europe". This does not mean, however, that we have to depend exclusively on such statements. Fortunately, a wealth of material can also be drawn from practical experience in countries under German occupation. We shall see in later chapters that in many respects — indeed, in almost every respect — there is flagrant contradiction between the Nazi description of what they intend to do and the hard facts relating to what they have already done. In the present chapter, however, we propose to confine ourselves to giving a summary of Germany's *declared* economic policy in countries under German control under the "New Order in Europe".

It is by no means an easy task to compile a set of principles representing the economic aspects of the Nazi plans for Europe. For one thing, the fundamental principles and details of the "New Order" scheme are by no means static. They are in a constant state of evolution. At the time of writing they are different in many material respects from what they were at the beginning of the "New Order" propaganda campaign. It is possible that by the time these lines appear in print the Nazi economic plan will have changed again in many respects. What is worse, even at any given moment there is no definite set of rules which can be claimed with absolute certainty as representing the authentic Nazi plan. As I said before, Nazi spokesmen on the subject frequently contradict each other and even themselves. They speak a different language according to whether they speak for home consumption or for foreign consumption. Their attitude is different according to whether they wish to play up to the working classes or to big business in the occupied countries or in neutral countries. There is also a certain freedom of expressing purely personal opinions on technical aspects of the "New Order" scheme, and it is at times difficult to be sure whether articles appearing in the German financial Press represent the opinion of some powerful Nazi leader or simply that of a financial journalist. For this reason the summary of the Nazi economic scheme which I propose to give below can only be regarded as representing provisionally and approximately the Nazis' declared programme within the framework of the "New Order in Europe".

The following are the main points of the declared

Nazi economic policy under the "New Order in Europe" :

- (1) Economic planning, as applied in Germany since the early phases of the Nazi régime, will be extended over German-controlled Europe. This means the extension of the scope of the Four-Year Plan and a high degree of interference with production, distribution and consumption in the interest of increasing production and avoiding waste.
- (2) The expansionary monetary policy pursued by Nazi Germany ever since 1933 will be applied also in non-German countries under German control. Their production will not be allowed to be handicapped by any lack of financial resources but will be determined by the amount of raw material, labour and industrial capacity available. Unemployment, it is claimed, will cease to exist in Europe, just as it ceased to exist in Germany after some years of Nazi rule.
- (3) The currencies of all German-controlled countries will be stabilised in relation to the reichsmark. There will be no currency devaluations for considerations of practical expediency any more than there were in Germany under the Nazi régime. The reichsmark itself will be maintained stable in relation to gold or the dollar, so that under the "New Order in Europe" exchanges will remain rigidly stable.
- (4) Germany will maintain under the "New Order" a steady and remunerative price level. She will provide for the agricultural countries of Europe a permanent market, and will fix

remunerative prices which will be maintained steady over long periods. Agricultural producers will thereby be relieved of the fear of being unable to sell their products at a fair profit.

- (5) The capital requirements of the countries under German control will be provided by Germany. Berlin will develop into an international financial centre catering for the requirements of German-controlled Europe and acting as intermediary between Europe and other continents.
- (6) A system of multilateral exchange clearing will be established for the benefit of German-controlled Europe, with Berlin as the clearing centre. Under this system the countries under the "New Order in Europe" will be able to trade with each other freely without having to provide foreign exchange in settlement of their adverse trade balances. These adverse balances will be offset against each other by the central clearing office in Berlin.
- (7) A high degree of international division of labour will be introduced under the "New Order in Europe". Hothouse industries in agricultural countries will be suppressed and even industrial countries will be made to produce only the kinds of manufactures for the production of which they are eminently suited.
- (8) There will be extensive rationalisation of industries on an international scale over the whole territory under German control, with the aid of industrial cartels.
- (9) German-controlled Europe will negotiate trade agreements, barter agreements and cartel

agreements with other continents as one huge economic unit. This entails considerable advantages both for German-controlled Europe and for the other negotiating parties.

- (10) Methods of agricultural production will be improved considerably in German-controlled Europe, in order to increase the output and reduce the cost of production.

On the face of it all this sounds very tempting indeed. It is bound to appeal to many schools of economists and specialists. Indeed, the Nazi economic plans for the "New Order in Europe" contain something to please everybody. They cater for every taste. Enthusiastic supporters of economic planning, for instance, may find it difficult to disapprove of a system which claims to put their ideas into operation. The same is true concerning monetary expansionists. Until some years ago planners and expansionists constituted mainly a mere handful of cranks or extreme Radicals who did not carry much weight. To-day, however, they control the majority of economic opinion. The number of people who have realised that it will be impossible to make good the destructions of this war without applying extensive economic planning and carrying it out with the aid of monetary expansion is increasing daily. German propaganda would score an appreciable success if it managed to satisfy planners and monetary expansionists about its intention to put their principles into operation all over the continent of Europe. The number of adherents of multilateral exchange clearing is also much larger than it was a few years ago. By promising to adopt multilateral clearing the Nazis

have put strong temptation in the way of experts whose agitation for that system during the last eight years or so has been completely disregarded until now by official circles in most democratic countries.

Nazi propaganda is too clever, however, to confine the appeal of its scheme to those economists and experts who are classed among the Radicals. It has a great deal to offer also to orthodox schools of thought. Adherents to exchange stability and a return to the gold standard are apt to be impressed favourably by the promise to secure complete monetary stability in German-controlled Europe in relation to gold. This appeal is deliberately strengthened from time to time by official flirtation with the idea of returning to some form of gold standard. Another considerable and influential section of orthodox opinion in the universities and business communities is favourably impressed by the promised introduction of international division of labour in German-controlled Europe. British economists of the old and middle-aged generations were brought up on Free Trade traditions based on the fundamental principles of international division of labour. It is very tempting for them to give grudging approval to a system under which countries will be made to specialise in the production of goods which they can produce in the most favourable circumstances. Admittedly, their idea was that this result should be achieved through the play of *laissez-faire*. Governments should refrain from interfering with economic tendencies and allow free scope for the survival of the fittest in the sphere of production ; artificial and inefficient branches of production in every country will then disappear.

Under the "New Order in Europe" the desired

result is intended to be brought about by exactly the opposite means — by an extreme degree of Government interference. Nevertheless, some orthodox economists are inclined to feel that, this being so, the right thing will be done for the wrong reason, by the wrong people and by wrong methods. They are prepared to forgive a great deal to Hitler for putting into operation a system of international division of labour at a time when that ideal appeared to have become utterly unattainable under the democratic régime.

Many economists brought up on orthodox traditions will also approve of the creation of a large economic unit. Hypnotised by the evidence of prosperity in the United States of America and in the British Empire, they imagine that the establishment of one large economic unit instead of many small ones on the Continent would necessarily make for prosperity for all.

Among sectional interests, industrialists with experience of the difficulties of international cartel negotiations are liable to be favourably impressed by the idea of international cartels being imposed upon a number of countries. Agriculturalists will be tempted to approve a scheme under which agricultural methods in backward parts of Europe would be made more efficient and stability for the marketing of agricultural products would be achieved.

It is impossible not to be impressed by the admirable skill with which Nazi propaganda has produced its ingenious "New Order in Europe" scheme. The appeal of this scheme to various schools, classes and interests might conceivably disarm much opposition to the Nazi plan of domination over Europe, not only in neutral countries and in

the occupied countries directly concerned, but even in Great Britain itself. It may appear astonishing that, after the experience of the past, anything produced by Hitler or by the Nazi propaganda machine should be taken at its face value. The gullibility of mankind, however, has no limits. Moreover, Nazi propaganda takes full advantage of the inclination of economists and specialists in general to view the world from the angle of their own pet principles. It has often happened that the narrow dogmatism of specialists brought them into a camp of interests with which they had really nothing in common beyond agreement on their favourite doctrines. For instance, many ardent believers in reincarnation have come to support the movement in favour of granting full independence to India for the simple reason that the religion of the majority of the Indian population believes in reincarnation. This being so, "they must be wise men and deserve to be given their political independence". Similarly, many economists believing in international division of labour, in planning or in multilateral clearing, etc., might conclude that, since Hitler will put these ideas into operation over Europe, he really deserves to be left in charge of that unruly Continent which, without his benevolent despotism, was unable or unwilling to adopt these wise methods.

It may well be asked whether, even assuming that the adoption of the various economic doctrines making for efficiency and prosperity were to be carried out by the Nazis in accordance with the promise contained in their programme, it would compensate the oppressed nations for the loss of their freedom. This is, however, a matter of opinion and we need not go into the details of the controversy between those who believe that

economic prosperity is more important than free votes and free speech, and those who believe that no material advantages can make up for the disadvantages of being ruled by foreign oppressors. My contention, which I hope to prove in the course of the following chapters, is that in practice the adoption of the "New Order in Europe" will not make for prosperity in the countries under German control but will solely serve the unilateral interests of the conqueror at the expense of the conquered. The latter, apart from losing their political freedom, will also suffer grave disadvantages regarding their material welfare. So far from being compensated for their loss of freedom by a higher degree of prosperity, their standard of living will be reduced deliberately and systematically for the sake of improving that of the German *Herrenvolk*.

On the surface the points of the Nazi economic policy within the framework of the "New Order in Europe" may sound promising. I propose, however, to "debunk" the programme point by point and to show that in practice it will mean something totally different from what it appears to mean on paper. In the following chapters I will attempt to prove :

- (1) That planning in German-controlled countries will be guided solely by the desire to secure the maximum of advantages to Germany, and with utter disregard of the interests of the German-controlled nations.
- (2) That the application of an expansionary monetary policy in the German-controlled countries will serve the same purpose ; and that while in Germany the aim of Nazi monetary policy is to

prevent expansion from degenerating into uncontrolled inflation, the conquered countries are forced to embark upon advanced inflation for the benefit of Germany.

- (3) That stabilisation of the currencies of German-controlled countries will be both relative and temporary. As in the case of Germany there will be various subsidiary exchange rates in addition to the official exchange rate ; moreover, even the official exchange rate will be devalued whenever this suits Germany's purposes.
- (4) That the German price policy will not in the long run secure a steady and remunerative price level in the conquered countries ; and that the German long-term contracts for the purchase of European agricultural products at fixed and remunerative prices would simply camouflage the fact that, as a result of the inflation and depreciation of the currencies of German-controlled countries, their agricultural producers would be ruthlessly exploited.
- (5) That Germany will run up huge indebtedness in relation to conquered countries and will cancel out her liabilities from time to time by imposing reparations payments upon them, and that her international banking activity will consist of lending to the conquered countries the money stolen from them.
- (6) That the proposed multilateral clearing system with Berlin as its centre will be merely a technical means for Germany to control the financial and commercial relations between German-controlled countries and will also

facilitate the accumulation of much German commercial indebtedness towards all of them.

- (7) That the main object of the proposed international division of labour among German-controlled countries is to deprive them of their arms industries and of other industries which may directly or indirectly serve the requirements of their national defence, and to place them completely at the mercy of Germany from a military and economic point of view.
- (8) That the proposed international cartels between Germany and the conquered countries will merely amount to cartels between German industrialists in the Reich and German industrialists who succeeded in gaining possession of those industries which were allowed to remain in existence in occupied countries.
- (9) That the German Government's ability to negotiate on behalf of the whole German-controlled European continent will only mean unilateral advantages to Germany at the expense of the German-controlled countries whose international trade interests will be sacrificed.
- (10) That any improvement of agricultural methods in Europe under German guidance will throw out of employment further millions of peasants who would provide cheap unskilled labour for German-controlled industries.

Those who are inclined to think that the above points of indictment against the "New Order in Europe" were inspired by a desire to find fault at all costs in anything done by Nazi Germany should, with benefit to themselves, study the methods actually

employed by Germany in the countries conquered by her. They may also derive benefit by going back further in recent history and studying the methods pursued by Germany in her economic penetration into South-Eastern Europe during the last five years or so. They will find that these methods were the forerunners of those employed in the same countries after their conquest and in other conquered countries. Indeed, the difference between the methods applied before and after the conquest is largely one of degree.

The consistency of purpose indicated by the continuity of methods is well worth bearing in mind. What is perhaps even more important is the growing severity in the application of the methods with the increase of Germany's political power over the countries concerned. While they were still independent, even though under the shadow of German domination, Germany moderated to some extent her appetite in exploiting them. Once they fell victims of German aggression there was no longer any need for exercising self-restraint. Nevertheless, owing to the fact that Germany had to wage war against Great Britain, and for this she needed the support or at least the benevolent passivity of the conquered countries, in many instances a certain degree of self-restraint continued to be exercised. It stands to reason that once the necessity for gaining support in the conquered countries for the purposes of the war against Great Britain has ceased, every self-restraint will be discarded and Germany's power to exploit her victims will be exercised to the fullest extent.

CHAPTER IV

ON PLANNING AND BEING PLANNED AGAINST

It must be admitted that Nazi propaganda has made out a very strong case against the anarchic methods of production prevailing in democratic countries before the war. The very existence of the Nazi régime in Germany is in itself an indictment of the system of unorganised liberal capitalism inherited from the nineteenth century. Had it not been for the breakdown suffered by that system in 1931, Hitler would never have risen to power. It was the economic depression and the financial crisis, bringing the figure of unemployed in Germany to 6,000,000, that gave Hitler his chance. Utter lack of planning on national or international scale was mainly responsible for the series of crises between 1929 and 1933. But quite apart from such spectacular manifestations of the inadequacy of the system based on *laissez-faire*, even in comparatively normal conditions its grave shortcomings are only too painfully obvious. It is beyond doubt that lack of planning of production and of economic activities in general leads to immense waste of labour and irreplaceable raw materials. It is largely responsible for perennial unemployment, under-consumption and over-production. Periodically recurring crises form an integral part of the system,

and as the system tends to become more involved and its financial superstructure heavier and heavier, these crises tend to increase in gravity.

Under the weight of inexorable facts the necessity for planning was widely admitted even before the war. During recent years many former adherents of the *laissez-faire* system have become converted in favour of planning. The majority of them, however, still insisted that planning must be purely voluntary and that the Government's rôle should be confined to facilitating the conclusion of agreements between the interests concerned. Planning imposed upon the nation by the Government was still regarded with strong disapproval by the liberal school, even though many of its members were inclined to be less dogmatic about this than before. Some of them reluctantly admitted that in given circumstances it might be worth while to sacrifice economic freedom for the sake of economic stability.

The war resulted in the application of a high degree of economic planning in democratic countries. In this respect the history of the last war repeated itself with the difference that on this occasion a fairly advanced degree of economic planning was adopted from the very outset, and by the end of the first year of this war planning reached a more advanced stage than it did by the end of the last year of the last war. At the time of writing there is, however, still much left to be desired, and the chances are that the trend towards planning will proceed still further.

The question is, will the system remain in existence after the war? It is gradually realised that in the absence of a high degree of planning and Government intervention it will be impossible to tackle the pro-

blem of post-war reconstruction. Consequently, the number of those who insist that the measures of planning adopted by the Government must be removed as soon as possible after the termination of the hostilities is declining gradually. Many people are inclined to adopt the view that the pre-war economic policy of the Nazi régime contains many elements which could usefully be transplanted to democratic countries after the war. It is true there is still a strong feeling that the mere fact that planning by Government intervention is part of the Nazi system is sufficient to rule out its adoption by democratic countries. Others, however, maintain that there is no reason why we should not learn from our enemies, and that in any case the Nazis themselves have borrowed most of their economic ideas from other schools of thought.

It is beyond doubt that the system of planning by compulsion is increasing in popularity. Perhaps popularity is not the right term, as compulsory planning is still regarded by almost everybody in Great Britain as a necessary evil rather than a thing to be desired for itself. This view is shared by large and increasing sections of the public also in other democratic countries. It is also true that, while compulsory planning is regarded as a necessary evil, there is an unmistakeable tendency for the accent to be placed to an increasing degree upon "necessary" instead of "evil".

Nazi propaganda is taking full advantage of the growing inclination of world opinion to admit the necessity of compulsory planning. In the course of the "New Order" campaign much stress is laid upon the advantages Europe will enjoy under the Nazi

régime through the extension over the conquered countries of the system of planning which operated with great success in Germany before the war. It is pointed out that even if the countries concerned became sufficiently enlightened to realise the advantages of planning they could only have adopted the system on a national scale, whereas under the "New Order in Europe" planning will be adopted on an international or at any rate inter-European scale. Now that these countries are under German control they will enjoy, according to Nazi propaganda, the full fruits of scientific planning instead of lapsing into the economic anarchy which prevailed before their conquest. They will even be spared the trouble of planning for themselves. That benevolent despot the Nazi Government will do it instead of them. All the conquered countries are expected to do is to play the part allotted to them under the "New Order in Europe". They may not always grasp the relation of their part to the vast scheme, and often they may feel themselves victimised. Nevertheless, the German authorities know what is the best for German-controlled Europe as a whole and, to believe the Nazi propagandists, every part of their territory stands to benefit in the long run by the all-round increase of prosperity and by the existence of economic stability and security in Europe.

The countries under German control are thus asked to believe that the German measures, which are obviously against their interest, are really a blessing in disguise and that Nazi Germany really intends to give them a fair deal. It is repeated to boredom that under the "New Order in Europe" the standard of living of all countries concerned will increase in the

long run. It is impossible to believe, however, that the Nazis really aim at increasing the standard of living of the countries conquered by them. They will certainly not do so for sentimental or humane considerations, since such considerations have no part in Nazi political philosophy, still less in Nazi practical politics. The question is whether, from a purely utilitarian point of view in the narrowest sense of the term, it appears to be to the interest of Nazi Germany to renounce some of the improvement in her standard of living for the sake of allowing the conquered countries to increase or at least to maintain their standard of living.

Apologists of the "New Order in Europe" scheme have pointed out that for political and economic reasons the Nazis may consider it expedient to be generous to their oppressed opponents. From a political point of view, however, it is difficult to see what the Nazis stand to gain by making such sacrifices once there is no longer any need for them to bribe the conquered nations into supporting them in their war against Great Britain. It stands to reason that the treatment of all the conquered countries will change for the worse once this inducement to treat them leniently has ceased to operate.

From an economic point of view it is argued sometimes that it is to the interest of Germany to create prosperity in the German-controlled countries, in order that they should be able to absorb larger quantities of German manufactures. Those who argue on these lines, however, overlook the elementary fact that Germany does not export for the sake of exporting, but for the sake of being able to import. Once a situation has arisen in which Germany is able to

import without having to export on anything like the same scale, she will certainly not go out of her way to increase voluntarily the amount of goods she is to sell in return for the goods bought by her. On the contrary, her sole aim will be to obtain as much as she can possibly squeeze out of her victims and to give in return as little as possible. In later chapters we shall see that the Nazi authorities have adopted various devices by which they are able to obtain something for nothing from the victims of their aggression. In such circumstances, any policy aiming at increasing the standard of living in the conquered countries would, from a German point of view, simply amount to granting them free gifts, which is certainly not the kind of line that would be in keeping with Nazi principles and German temperament.

The fear that the planning of the economic system of the conquered countries by the German conqueror will not aim at increasing their prosperity is borne out by several authoritative statements made by Nazi leaders or published in Nazi newspapers. In a moment of candour the *Deutsche Volkswirt* stated that the standard of living in Holland will have to be reduced in order that it should be possible to increase the amount of goods Germany obtained from Holland. It did not even occur to the writer of this article that it would be possible to increase imports from Holland without necessarily reducing the standard of living of the Dutch people simply by increasing German exports to Holland. Or if such an absurd thought had occurred to him he must have dismissed it as something quite inconceivable and not worthy of serious consideration. Why should part of the producing capacity of German industries be used for

increasing exports to Holland if the same amount of Dutch goods can be obtained by the much more convenient method of reducing the standard of living of the Dutch people ? Another candid admission on the same lines as that of the *Deutsche Volkswirt* was made by Terboven, the Nazi Gauleiter for Norway. He stated that the Norwegian nation will have to put up with a reduction in its standard of living so as to play its part in the "New Order in Europe". This again does not sound like an indication of Germany's intention to devote much thought and energy to plan for the benefit of the conquered countries.

Admittedly it is to the interest of Germany to prevent the decline of the standard of living in conquered countries beyond a certain point. An excessive decline would lead to famine and disease and would thereby lead to the destruction of valuable slave labour. It would be a short-sighted policy to exterminate the conquered peoples, at any rate until the German population has increased to a sufficient extent to take their place. In the Nazi scheme of things a high standard of living in Germany would raise the birth-rate of the *Herrenvolk* to such an extent that in the course of the next generation or two the conquered countries could be populated partly by Germans. In the meantime, however, the local population will be needed in order to keep up production and to supply cheap unskilled labour for the use of German industries. There is no need, however, for encouraging an increase of the oppressed population by maintaining and even increasing their standard of living. The benefits that can be derived from economic planning will be reserved therefore solely for the Germans.

Experience of the relations between Germany and the conquered countries both before and since their conquest provides ample evidence to show that Germany intends to plan their economy solely for her own selfish ends. Even before their conquest Germany endeavoured to induce them to adjust their economy to her central plan, which was to serve exclusively German interests. During the course of German economic penetration in South-Eastern Europe, Germany made considerable efforts to discourage the development of branches of production for which she had no use and which tended to render the countries concerned more independent of her. Even though many of these branches of production would have been very useful to the countries, Germany tried to discourage their development during the course of her negotiations, or by her refusal to sell the countries concerned the equipment needed for their purpose. This experience will be discussed in detail in Chapter X dealing with the German scheme to create international division of labour under the "New Order in Europe". It will be seen that the sole purpose of that division of labour will be to suit German interests.

A circular issued by Field-Marshal Goering, in his capacity of executor of the Four-Year Plan, to the German occupation authorities in Poland contains a few indications of the kind of planning Germany intends to adopt in occupied territory. The occupation authorities are instructed to exploit the forests to the limit of their capacity without taking the trouble of replanting. They are instructed to stamp out (*ausschlachten und verschrotten*) all industrial plants which are not considered necessary from a German point of view. They have to recruit at least a million

agricultural and industrial workmen for deportation to the Reich. They are instructed that in the allotment of food rations they should differentiate between the part of the population engaged by undertakings working for the benefit of the Reich and the rest of the population. The former will have a prior claim over the food supplies available and the latter will only be fed if there is enough left over.

Even though the German occupation authorities are more ruthless in Poland than in other countries, the experience regarding their economic policy in other countries shows that German economic planning in occupied countries is inspired by the spirit indicated in Goering's circular. Denmark, Holland and Norway, for instance, were instructed to slaughter the greater part of their livestock and to convert their agriculture from intensive to extensive economy, that is, instead of specialising in more profitable dairy farming they should grow wheat. Obviously such a change is inevitably accompanied by a reduction of the standard of living of the agricultural population. It may be argued that this measure was necessitated by the lack of adequate quantities of feeding stuffs formerly obtained from the British Empire. Even on this assumption it is obvious that German economic planning is inspired by purely selfish motives. For if it were impartial, then the limited supplies of feeding stuffs obtainable in South-Eastern Europe would be shared between Germany and the conquered countries in proportion to their requirements. This would necessitate a reduction of dairy farming both in Germany and in the occupied countries. Instead Germany's own requirements of feeding stuffs are fully satisfied and the agricultural systems of the occupied

countries are made to bear the full burden of the shortage. From a German point of view it is only natural that the higher form of agricultural activity should be reserved for the farmers of the *Herrenvolk*.

The German attitude in this respect gives a foretaste of the trend of German planning under the "New Order in Europe". Whenever it is impossible to satisfy in full the combined requirements of German-controlled territory, the requirements of the Reich will take precedence over those of the vassal States. This principle was clearly admitted in the manifesto issued by the German Government after the occupation of Prague in March 1939. It was then declared that the economic requirements of the Protectorate will be met "subject to the requirements of the Reich".

The German ideas of planning consumption under the "New Order in Europe" are inspired by a similar spirit. This is indicated by the wholesale removal of food supplies from the occupied countries as soon as transport facilities became available after the occupation. The greater part of the new crops was also removed as soon as they became available. The idea is to concentrate all food reserves as far as possible within the borders of the Reich, so that the conquered countries should have to live from hand to mouth out of the rations doled out to them in small quantities by their overlord. It is by such means that the Germans hope to bring pressure to bear upon their slaves to work hard even in the absence of any inducement of being paid for their labours in proportion to their efforts.

German planning of the transport system of the countries under Nazi control pursues a similarly one-

sided purpose. Practically the entire rolling-stock of the conquered countries has been removed to Germany and the transport requirements of the Reich take precedence over those of the conquered nations. Even though shortage of transport facilities may be a temporary consequence of the war, it is evident that it will be a long time before there will be enough rolling-stock and fuel to satisfy the conqueror as well as the conquered ; and meanwhile the latter's economy is planned on the basis of a prolonged shortage of transport facilities.

The planning of foreign trade under the " New Order in Europe " also serves purely selfish German ends. The export trades of the subject races which compete with German export trade are suppressed. In fact the German authorities go so far as to suppress some of the French luxury industries working mainly for export which do not by any manner of means compete with German industries. This attitude towards export industries of the occupied countries cannot be explained solely on the ground of economic planning, however one-sidedly it may be in favour of Germany. After all, it is to Germany's interest that the countries under her control should continue to export and thereby to provide her with much-needed foreign exchange for the requirements of her purchases of overseas products. On the other hand, from a political and military point of view, it is to the interest of Germany that industries in the occupied countries should be destroyed as completely as possible, and that the oppressed nations should be reduced to the status of purely agricultural nations. This example indicates that economic planning under the " New Order in Europe " will be influenced to the

detriment of those who are being planned against, not only by one-sided German economic considerations, but also by political and military considerations, all of which will aim at keeping the subject races in a perpetual state of subjection.

German planning in German-controlled Europe will pursue the aim of acquiring financial control over everything worth having in the conquered countries. This could be achieved simply by straightforward expropriation. While in Poland and to a large extent in Czecho-Slovakia the German authorities resorted to that crude method in many instances, as a rule they prefer to keep up appearances and their whole economic policy is largely planned with the object of ruining landowners, industrialists, bankers and shopkeepers, in order to acquire their property at a nominal cost either for the German State or for German citizens and undertakings. This factor will of course only influence economic planning under the "New Order in Europe" for a few years. Before very long the process of transferring the financial control of property in occupied countries to German hands will be completed. From that time onwards economic planning will aim at serving the interests of the German owners of such property at the expense of the local population.

The ultimate aim of German economic planning in the conquered countries is to utilise the labour and productive capacity of these countries for the one-sided benefit of Germany to the highest possible degree. It will be seen in later chapters that the industrial and agricultural policies pursued by the conqueror will aim at releasing a large number of hands from the national economy of the con-

quered nations, in order that they should be available as cheap unskilled labour in the Reich. All this will help towards the ultimate aim, which is to increase the standard of living of the German *Herrenvolk*.

CHAPTER V

INFLATING OTHER NATIONS' CURRENCIES

WE saw in the last chapter how Nazi propaganda has taken advantage of the growing popularity of economic planning in its attempt to popularise the idea of the "New Order in Europe". In the same way and for the same purpose Nazi propaganda has also swum with the rising tide of popular opinion in favour of monetary expansionism. From this point of view Nazi propaganda was particularly favourably placed, owing to the success of the expansionist experience in Germany between 1933 and 1939. In itself Nazi economic planning would have produced but meagre results had it not been accompanied by monetary expansion. It would have been impossible to finance the ambitious public works schemes and the gigantic rearmament programme of the Nazi Government on the basis of monetary orthodoxy. The Nazi rulers laid down the principle that the volume of output must not in any circumstances be restricted through lack of financial resources. Goods must be produced to the limit of the raw material resources, labour and other factors of production available, and let finance take care of itself the best way it can. Beyond doubt this system was used for essentially destructive purposes. Nevertheless the

fact remains that, as a result of monetary expansion, the output of German industries increased to a spectacular extent during the last few pre-war years. What is more, warnings about the disastrous financial consequences of this policy failed to materialise. Up to the outbreak of the war the latent inflationary forces were kept well under control.

Nazi propaganda is making full use of the goodwill created by the success of the German pre-war experiment in monetary expansion. The "New Order" scheme is sought to be popularised by holding out hopes for the conquered countries that they too will benefit by the application of advanced German monetary methods, as distinct from the backward monetary methods applied by these countries before their conquest. Beyond doubt some of the countries concerned, especially France, Belgium and to a less extent Holland, suffered a great deal in recent years owing to the stubborn orthodoxy of their monetary policy. They all experienced unemployment and trade depression through monetary deflation, and for this reason the idea that in future the monetary factor would not be allowed to handicap their production is bound to have a strong and wide appeal.

It is necessary to bear in mind, however, that monetary orthodoxy in the pre-1914 sense, or in the pre-1931 sense, or even in the pre-1939 sense, is dead. It is simply inconceivable that either Great Britain or any of the countries under German domination would revert to it after the defeat of Germany. They will face tremendous problems of reconstruction which would be simply incapable of solution if rigid principles of monetary orthodoxy were to be applied. If the choice arises between repairing the damages

caused by the war and maintaining a so-called sound currency, the Governments in office after the war will have no option. If they tried to pursue the same policy as after the last war when, for the sake of monetary orthodoxy, millions of demobilised soldiers were kept out of employment, they would be thrown out of office by constitutional means if possible, and by revolution if necessary. Any Central Bank governors and finance ministers who would refuse to expand their currency for the sake of rebuilding the houses and factories destroyed during the war might easily find themselves on lamp-posts. The principle that production must be pursued to the limit of the economic, as distinct from the financial, resources available, will be applied throughout post-war Europe. It cannot be regarded, therefore, as a Nazi monopoly. The liberated countries and their liberators will enjoy the benefits of monetary expansionism after the defeat of Nazi Germany.

The question we are primarily concerned with here is whether the conquered countries will enjoy the benefits of monetary expansionism during the period of their domination by Germany. It is beyond doubt that the volume of their production can be increased to the limit of their physical capacity with the aid of a radical monetary policy. This does not mean, however, that the population of the countries concerned would derive any benefit from that monetary policy. In order to be able to enjoy the fruits of monetary expansionism it would be necessary for the conquered peoples to be left in possession of the surplus products. It would be also necessary to keep monetary expansion within reasonable limits and to prevent it from degenerating into advanced inflation.

Neither of these two conditions will be fulfilled under the German régime. We saw in the last chapter that economic planning under the "New Order in Europe" will serve the one-sided interests of Germany alone. The same is true concerning expansionary monetary policy under the "New Order in Europe". What will happen — what in fact is already happening to a very large extent — is that the currencies of the German-controlled nations will be expanded for the benefit of Germany. Nor will their expansion be limited in order to avoid advanced inflation. Since Germany will derive the full benefit of their monetary expansion while she will suffer no disadvantages through the excessive degree of that expansion, there is every inducement for her to inflate the currencies of the conquered countries to the utmost limit of possibility.

The methods applied by Germany during the course of her economic penetration into South-Eastern Europe foreshadowed to some extent the policy of inflating the currencies of the countries under her control. Between 1936 and 1939 these trading methods resulted in a certain degree of unwanted monetary expansion in most South-Eastern European countries. What happened was that Germany made very large purchases through her clearing account with them, and the result of her adverse trade balance with these countries was that their exporters had to wait for long periods before they received payment through the working of the clearing account. Most of these producers and exporters could not afford to wait and, in order to save them from insolvency, the monetary authorities of the Danubian and Balkan States had to advance the amounts owed by Germany.

The result was monetary expansion. The extent of such expansion was, however, kept comparatively moderate owing to the determination of the Governments concerned not to allow Germany to increase indefinitely her frozen balance on the clearing account. Whenever the frozen balance reached excessive proportions, these Governments placed obstacles in the way of exporting to Germany or insisted upon the increase of their imports from Germany.

The countries conquered by Germany are of course not in a position to place any limits on the expansion of their currencies through German action. They cannot restrict their exports to Germany, nor can they insist upon increasing their imports from that country. The matter now rests entirely with the German authorities, and these can be relied upon to abuse their strong position.

The experience of countries under German domination provides a wealth of material of facts to show that German occupation has brought about a high degree of inflation of their currencies. A variety of means is now at the disposal of the German occupation authorities by which they are in a position to secure benefits for Germany through inflating the currencies of the conquered countries. The following are the best known of these means :

- (1) The invading armies and the hosts of officials and civilian visitors that followed in their wake spent substantial amounts of reichsmark notes on the purchase of goods in the conquered countries. It is true after a while a prohibition was imposed upon the export of reichsmark notes to occupied territory. These notes

ceased to be legal tender in the conquered countries. Nevertheless there is reason to believe that the amount of reichsmark notes that found their way into those countries is by no means inconsiderable. The Central Banks of the conquered countries were compelled by the occupation authorities to buy all reichsmark notes offered to them for sale at the official exchange rate. This meant that these Central Banks had to issue notes of their own in order to replace the reichsmarks withdrawn from circulation. The amount of reichsmark notes they purchased was handed over to the German authorities, who credited their account with the totals. In return for inflating their currency they received a book claim in Germany.

- (2) The German occupation authorities put into circulation huge amounts of Reichskredits-Kasse notes in the conquered countries. The Reichskredits-Kasse opened branches in all occupied countries and issued these notes, partly in payment for goods purchased by the German authorities, and partly for payments to the German soldiers who then spent them on the purchase of goods. While the German Government made an effort to limit the amount of reichsmark notes exported into occupied countries, it went out of its way to pump Reichskredits-Kasse notes into circulation. The officially admitted limit to the circulation of these notes is three milliard reichsmarks. In reality there is every reason to believe that in France alone the amount in circulation is considerably larger. As in the case of the reichs-

mark notes, the monetary authorities of the conquered countries are compelled to buy up the Reichskredits-Kasse notes offered them for sale.

The people in the conquered countries are very anxious to rid themselves of both reichsmark notes and Reichskredits-Kasse notes, so that before very long these notes usually find themselves in the hands of the Central Banks. The latter have to inflate their own currency in the process of buying up these notes. While in the case of reichsmark notes the amount involved was relatively moderate, in the case of Reichskredits-Kasse notes it was very substantial indeed.

- (3) The German authorities paid for a large part of their purchases, especially during the early periods of the occupation, in the form of requisition notes or credit notes. Payment in cash for these purchases was promised to be made after the war. Most sellers were not in a position to wait indefinitely and the Central Banks had to come to their rescue by discounting these frozen claims. No information is available about the size of the amounts involved but, judging by the size of German purchases during the early period that followed the invasion, they must be very considerable.
- (4) The Central Banks of the conquered countries had to provide financial facilities for the industrial undertakings which were seized by the Germans or were otherwise compelled to execute orders for the German military authorities. Admittedly the financing of industrial pro-

duction forms part of the normal functions of a Central Bank. In this case, however, national production was carried on for the sole benefit of a foreign country. Nor were financial operations of the kind normally undertaken by Central Banks. In normal conditions the bills discounted by Central Banks are supposed to be self-liquidating. The enterprises working for the Reichswehr have to wait, however, for the payment of the goods they deliver until after the war, or at any rate for a long period. This means that they in turn are not in a position to repay their debt to their banks or their Central Banks. In many instances payment is made by the German authorities in the form of Treasury bills and these are discounted by the Central Banks. The claim thus arising against the Reich is added to their other claims or is consolidated into a long-term loan at the "request" of Berlin.

- (5) German importers continue to purchase from conquered countries through the clearing accounts. As I pointed out earlier in this chapter, there is now no possibility for the authorities of the countries concerned to limit their exports to Germany, nor can they insist upon increased imports from Germany. The result is that their export surplus to Germany has increased considerably since the occupation and their clearing account with Germany shows a huge and growing frozen reichsmark balance. The financing of national producers and exporters who cannot afford to wait indefinitely for payment through the working of the clear-

ing account resulted in a considerable degree of credit expansion.

- (6) The German Government imposed upon the conquered countries the payment of huge occupation costs. The amount they were ordered to pay was far in excess of the actual costs of German occupation even if allowance is made for the troops kept in the countries concerned not for the purpose of garrisoning them but for the purpose of preparing invasion against Great Britain. In the case of France the original amount is known to have been fixed at 20,000,000 reichsmarks, or 400,000,000 francs a day. This gigantic amount represented for unoccupied France a much larger burden than the German reparation annuities under the Dawes Plan. Given the fact that the budget of the Vichy Government was unbalanced in any case owing to the fall in its revenue and to the necessity of providing for demobilised soldiers, unemployed and refugees, the only way in which this additional burden could possibly be financed was by means of crude currency inflation. In fact a special credit of 50 milliard francs was arranged with the Bank of France solely for the purpose of covering occupation expenses. This credit is understood to have been exceeded by the end of October 1940. Its limit was increased to 75 milliard francs in December 1940. Although the Bank of France ceased to publish returns after the collapse of France, it is reasonable to assume that its note circulation increased at least to a corresponding extent.
- (7) The inflationary effect of currency and credit

expansion upon prices is further stimulated by the relatively high prices paid by German official and unofficial purchasers. The German authorities can well afford to be generous since it is in reality the Central Banks of the occupied countries who pay. As for private German purchasers, they can afford to pay high prices owing to the very favourable exchange rate fixed for the reichsmark. About this latter aspect of the German monetary policy more will be said in the following chapter. Here let it be sufficient to point out that the large size of German purchases, coupled with the relatively high prices paid, tend to stimulate and accentuate the effect of currency and credit inflation brought about by the various methods applied by Germany.

The result of German occupation — or, in the case of unoccupied France, of German control — in the monetary sphere is threefold. In each occupied country there is crude currency inflation, credit inflation and purchasing power inflation. The degree of inflation varies from country to country and the methods applied are also slightly different. In each case, however, the volume of currency and credit is inflated for the benefit of Germany. In some countries (in Poland and Belgium) the Germans created a bank of issue of their own. In other countries (in Norway for instance) they embarked upon counterfeiting the notes of the local Central Bank whose legitimate board has taken refuge abroad. In most countries, however, they simply force the monetary authorities to expand their currency and credit.

The purchasing power inflation created by German activities is a factor of great importance. The German occupation authorities have bought up, not only the current output of these countries, but also a very large part of their capital assets. Payment for all these acquisitions had to be made by the local monetary authorities, and these transactions placed in the hands of the public a very large volume of liquid purchasing power. Naturally enough this additional purchasing power began to compete for the goods available for sale. Since, however, at the same time the Germans acquired most of these goods, the volume left for local inhabitants to purchase was very small indeed. Thus, simultaneously with the almost unprecedented increase of their purchasing power, the volume of goods upon which this additional purchasing power could be exercised became reduced to a fraction of its original size. The result was a strong upward trend in prices.

Admittedly the prices of a large number of goods are controlled and anti-profiteering measures are also in operation. This only means, however, that goods are unobtainable at their official prices and a vast black market has developed in which those who have enough money are able to buy what they want at prices which are anything between 500 and 1000 per cent above the official prices. In such circumstances it is no wonder that a distrust in both reichsmarks and the national currencies developed in occupied countries. The population is anxious to convert their notes into goods with intrinsic value, and there has been a great deal of indiscriminate buying of goods of every kind for that purpose. Another manifestation of the suppressed inflationary trend was the boom in industrial

shares on the various Bourses, in particular in Vienna and in Amsterdam. It is worth mentioning that this boom was confined to the shares of the undertakings situated in the countries concerned and did not extend over German securities of any kind, a fact which illustrates the disbelief of the local population in the permanent character of German occupation.

Should this inflationary trend continue much longer it would lead practically to a demonetisation of the currencies. While the German occupation authorities will be in a position to force the population to accept payment from Germans in reichsmarks under threat of court-martial, trading between the nationals of the conquered countries will largely assume the characteristics of barter and the only purpose for which the public will be able to use its currency will be for the purchase of their meagre rations. Any purchasing power in excess of the requirements for that purpose will be simply immobilised by the absence of any possibility of making purchases. This stage has more or less been reached in Poland, and to a considerable degree also in Czecho-Slovakia.

The question is how far this state of affairs is merely temporary and how far will it form a permanent feature of the "New Order in Europe"? In order to be able to answer this question it is necessary to examine whether Germany stands to benefit by inflating the currencies of the occupied countries. Beyond doubt it is a useful means for acquiring the goods produced by these countries without any real cost to Germany. These goods of considerable value are not paid for by German exports. They are paid for partly with the aid of German paper money, but mainly with the aid of running up a big indebtedness

against the occupied countries. This indebtedness will of course never be paid. It will be offset against reparations claims or written off under some excuse, or simply allowed to remain in existence indefinitely. Germany may not wish to inflate the currencies of the conquered countries, but since the process of exploitation entails inflation she will certainly proceed with it. By inflating the currencies of the conquered nations Germany is able to obtain something for nothing on a gigantic scale.

The deliberate inflation of the currencies in conquered countries, however, also presents other advantages for Germany. Inflation is useful as a means for allaying discontent in the conquered countries. The increase of the purchasing power and the rising tendency of prices in the unofficial market creates a false feeling of prosperity which tends to go some way towards making German domination appear tolerable. Needless to say, once inflation has reduced itself *ad absurdum* this feeling of contentment will give way to a strong feeling of resentment. Even then, however, the part played by Germany in bringing about the monetary disaster will be too complicated and indirect for the man in the street to understand it, and the local Press will not be allowed to enlighten the public. Meanwhile Germany is in a position to bribe the population into submitting to her régime thanks to inflationary methods which cost her absolutely nothing.

From a German point of view inflation in the conquered countries is also useful because it tends to reduce the degree of inflation in Germany. To the extent to which the German Government is able to get something for nothing in occupied countries there

is no need for inflationary financing of purchasers of German-produced goods. Part of Germany's producing capacity will become available for the German consumers. At the same time large amounts of consumers' goods find their way to Germany from occupied countries and absorb some of the inflationary purchasing power created by the German Government.

In a technical sense, too, inflationary methods in occupied countries tend to moderate inflation in Germany. For instance, if large frozen reichsmark balances accumulate on their German clearing account, this means that the German importers of goods from the occupied countries pay the purchase price into that account and the amounts thus accumulated can be invested in German Treasury bills. To the extent to which reichsmark notes are spent in occupied countries active note circulation in Germany becomes reduced.

There appears to be no reason why Germany should relinquish such substantial advantages so long as she is in a position to enjoy them. The inflationary policy pursued by Germany in occupied countries is therefore not temporary — that is, not more so than German occupation itself. Possibly the methods employed may change but in substance inflationary policy will continue as part of the "New Order" scheme.

Presumably the reichsmark notes spent in occupied territories will gradually find their way back to Germany and the control against their further export will be tightened. The method of inflation through the issue of Reichskredits-Kasse notes may also be regarded as temporary ; in fact a number of branches of the Reichskredits - Kasse in various occupied countries have already been closed down. On the

other hand, the chances are that industries working for the Reichswehr will have to continue to be financed by the local monetary authorities, who will have to expand credit for that purpose. The chances are that Germany will continue to abuse the exchange clearing system for the purpose of securing something for nothing. She must have adverse trade balances in relation to the conquered countries as a means of exploiting them and of improving the standard of living of the German population. Nor is there any reason to believe that Germany will not make full use of her power to exact tribute from the conquered countries whether in the form of occupation expenses or reparations. In the case of France the amount originally fixed was subsequently reduced. Indeed one of the reasons why it was fixed at such an exorbitant figure was to use it as a bargaining weapon to secure advantages in return for its reduction. Even after the reduction, however, it is believed to be far in excess of France's capacity and will have to continue to lead to inflation. Finally, the method of stimulating the inflationary trend by large purchases and by paying high prices for these purchases will continue as a means of making the German régime less unpopular among agricultural producers and merchants.

That an inflationary policy in conquered countries is meant to become a permanent feature of the "New Order in Europe" is also indicated by the fact that Germany does not intend to unify the currencies and customs territories of the conquered countries with those of the Reich. Each one of the conquered countries will retain its separate currency and most of them will retain their separate customs territories.

By such means it will remain possible to continue to inflate their currencies without any ill effect upon the Reich itself. Germany will continue to derive full benefit from inflation in German-controlled Europe while the unfortunate population of the conquered countries will have to pay the price. This is what constructive expansionary monetary policy under the "New Order in Europe" means in practice.

CHAPTER VI

THE NEW MONETARY DISORDER IN EUROPE

IN the monetary sphere the temporary establishment of German tyranny over a large part of Europe has promptly resulted in chaotic conditions which overshadow even the bewildering currency chaos that followed the last war. This is not at all surprising, for the German monetary authorities are past masters in resorting to methods so complicated as to make it difficult for simpler souls to realise when and how they are cheated. During the last few pre-war years the German monetary authorities derived much amusement for themselves and more one-sided benefit for Germany by indulging in most involved currency conjuring tricks. Until recently they had to confine their monetary jugglery to the reichsmark and by the outbreak of the war they had more or less exhausted all the possible variations on the theme of currency fraud. Even their tortuous brains were unable to invent new types of subsidiary marks or new use and abuse of the existing types.

The conquest of half the continent of Europe provided the Berlin monetary experts with fresh scope for exercising their peculiar type of genius. These super-swindlers have now been let loose among the monetary systems of all the conquered countries.

They promptly set about to create chaos where order reigned until their advent. In a very brief space of time they succeeded in creating what may well be described as the "New Monetary Disorder in Europe" forming an integral part of the broader scheme of a "New Disorder in Europe".

On paper, however, the monetary aspects of the Nazi "New Order" scheme, like most of its other aspects, sound very alluring. The Nazis claim to have solved the problem of squaring the circle. They claim to be able to combine an expansionary internal monetary policy with the maintenance of a rigidly stable exchange. While the economists of democratic countries are roughly divided into two camps, one of them preferring exchange stability to the advantages of internal monetary expansion, while the other prefers to sacrifice a stable exchange for the sake of being able to expand internally, the Nazis claim to be able to combine the advantages of both policies without their disadvantages. They point out that during the Nazi experiment before the war the reichsmark was practically the only currency which was maintained stable in spite of a very advanced internal expansionary monetary policy. Their propagandists now promise the extension of the same "ideal" system over the whole of German-controlled Europe. It is the declared policy of Germany to maintain a stable exchange rate between the reichsmark and the currencies of the conquered nations. This would mean of course that the latter currencies would also remain stable in relation to the dollar and gold notwithstanding the expansionary monetary policy these countries have to adopt as a result of their occupation by Germany.

Before embarking upon the examination of the German foreign exchange policy under the "New Order in Europe" let us cast a cursory glance upon the Nazi monetary policy pursued in Germany itself. To anyone but the most superficial and inexperienced observers it must be obvious that the German claim to have been able to maintain the stability of the reichsmark is entirely false, since the stability of the German exchange has been purely fictitious. It is true the official reichsmark rate has been maintained rigidly stable under the Nazi régime, but this was done by the simple expedient of defaulting on all external payments which would otherwise have resulted in a depreciation of the exchange. The system has been named the "Gold Insolvency Standard" because the reichsmark has been maintained nominally stable in relation to gold by means of default and repudiation of external debts. Any currency can be maintained stable by the method of preventing transfers which would tend to cause its depreciation.

Moreover, the practical significance of the official reichsmark rate is very reduced. For most practical purposes the various subsidiary mark rates are much more important. There is an almost indefinite variety of these subsidiary rates. The best known of them are the registered mark, the credit mark, the security mark, the aski mark (which has a different quotation in every country where it is quoted) and the various clearing marks fixed in the exchange clearing agreements with a number of countries. It was difficult to imagine a more involved currency system — until the conquest of Northern and Western Europe when the chaotic currency conditions pre-

vailing in Germany were extended over a number of other currencies.

Immediately after the invasion of each country the German authorities fixed a special exchange rate for the reichsmark notes which were used for payments by the German troops. This rate was usually different from the prevailing exchange rate between the reichsmark and the currency concerned. The latter was allowed to remain in existence for a while especially for the purposes of exchange clearing between Germany and the conquered country, but the rate which was originally fixed for the reichsmark notes came to be regarded as the official exchange rate. In addition to these two rates there was the unofficial rate for foreign exchanges quoted on the Black Bourses which developed in spite of drastic penalties against illicit traffic in currencies. These unofficial rates were largely affected by the quotation of the currencies of the conquered countries in Switzerland, Portugal or some other neutral market. The official rates of various currencies were fixed in a purely arbitrary fashion and in more than one instance there was a marked disparity between them which would have led to highly profitable arbitrage operations if such operations had been possible.

Admittedly none of the conquered countries has succeeded in catching up Germany regarding the number of subsidiary currency quotations, but then the system has only been in operation in those countries for a comparatively brief period. Rome was not built in one day and it took Dr. Schacht and his colleagues and successors six years to bring the impressive family tree of various subsidiary reichsmarks into existence.

There is a noteworthy difference between the foreign exchange policy pursued by the Nazis in Germany and in the conquered countries. In Germany they at least maintain the official exchange rate rigidly stable. Their spokesmen showered torrents of abuse on the democratic countries for having resorted to currency devaluations. In some occupied countries, however, the German monetary authorities did not hesitate to resort to that very same policy of currency devaluation which they denounced so violently when practised by other countries. In some instances a high value was originally fixed for the local currencies, but subsequently these currencies were devalued if this was considered necessary from the point of view of one-sided German interests.

To sum up the foreign exchange policy pursued by Nazi Germany in the conquered countries, it consisted of bringing about fairly frequent changes in the value of the currencies; and of the replacement of straightforward systems by involved systems in which there are several differential exchange rates. In the unofficial markets, currencies of conquered countries which were formerly stable became subject to wide fluctuations and wide disparities developed between the various rates.

By far the most important point in the Nazi foreign exchange policy in conquered countries was the deliberate over-valuation of the reichsmark in terms of their currencies. In this respect as in so many other respects the German authorities merely carried their attitude adopted during the peaceful penetration into South-Eastern Europe to its logical conclusion. During the course of trade negotiations with the

Danubian and Balkan States the German super-negotiators Wohltat and Clodius always insisted upon the devaluation of the local currency against the reichsmark. For a long time the monetary experts of the democratic countries were perplexed by this apparently absurd attitude. Ever since 1931 the world witnessed competitive currency depreciation, and many countries sought to secure for themselves commercial advantages by depreciating their currencies in terms of other currencies. The Germans, on the other hand, insisted on the appreciation of the reichsmark in terms of other currencies. This was a much more sophisticated and more effective method of securing for themselves commercial advantages at the expense of other countries. The idea was to encourage German imports from the countries concerned instead of stimulating German exports to them. Since under the bilateral trade system established with Germany the exporting countries could only obtain payment if they bought German goods, the Germans were safe in concentrating on importing as much as possible and letting exports take care of themselves. Having exported large quantities of goods to Germany, the South - Eastern European countries had to make efforts to increase their imports from Germany, even though the exchange rate was against them as a result of the devaluation of their currencies at Germany's request.

The German method of currency appreciation for the purposes of foreign trade had another great advantage over the method of competitive currency depreciation. A country which devalued its currency in order to stimulate its exports had to export a great deal more to pay for the same amount of imports.

In other words, the "terms of trade" changed against that country. On the other hand, Germany, by insisting upon an appreciation of the reichsmark, was able to obtain the same amount of imports in return for a smaller amount of her own exports. She changed the terms of trade in her favour. The benefit derived from that policy was considerable.

The South-Eastern European Governments did their utmost to resist the German demand for the devaluation of their currencies in terms of the reichsmark. It was contrary to their monetary policy aiming at stability. Moreover, they gradually realised that the advantages derived by Germany from the devaluation of their currencies were secured entirely at their expense. They did not wish to increase further their exports to Germany which were already unduly large, which made it more difficult for them to obtain payment in the form of imports from Germany. Nor did they wish to part with a larger volume of goods in return for the same volume of German goods. Nevertheless, in almost every instance they had to yield to some extent to the economic and political pressure brought to bear upon them by the German negotiators.

In relation to the conquered countries the task of the German monetary authorities is of course much easier. There is no need for them to negotiate. They simply order the devaluation of the various national currencies against the reichsmark and their instructions are complied with. Immediately after the entry of the German troops into Rumania the exchange value of the reichsmark notes was fixed at 75, which was the figure upon which the German negotiators unsuccessfully insisted for some time past

prior to the German occupation. It compared with 50 lei to the reichsmark fixed in the last trade agreement voluntarily entered into by Rumania. Subsequently the clearing rate was fixed at 60 lei to the reichsmark. In other German-controlled countries too the reichsmark was fixed at an abnormally high figure. Even in instances where the rate was left at its pre-invasion figure, this represented a gross overvaluation of the reichsmark. The result was that the public in the conquered countries was most reluctant to accept the reichsmark at what was considered to be an excessive rate. Such was the reluctance to accept it that in Bordeaux the German occupation authorities had to issue an order threatening with extreme penalties those who refused to accept reichsmark notes at the official exchange rate.

The object of the German policy was mainly to stimulate German imports from the conquered countries. At the same time the terms of trade were maintained in Germany's favour so that, if and when Germany should pay for the imports by exports, the amount of goods she has to part with will be smaller than it would have been if the reichsmark had not been overvalued. This is, however, a secondary consideration since Germany never intends to pay for a very large part of her imports from conquered countries. What matters mainly is that the favourable reichsmark rate induces her nationals to import more from those countries. It may be argued that the same object could be achieved by the simpler method of the German Government itself buying up everything it wishes to be imported into Germany. It is difficult, however, for a Government to embark upon trade in an immense variety of goods.

While foodstuffs, raw materials and a few other types of standard articles are bought on Government account, the import of other types of goods is left to private initiative stimulated by various measures.

In order to encourage private purchasers, the pay of soldiers and officers stationed in occupied countries has been increased considerably. They are given special facilities for sending parcels to Germany in spite of the great transport difficulties. The German authorities also arrange or encourage the "invasion" of the conquered countries by hosts of civilians who, like swarms of locusts, descend upon the shops and deplete their supplies of goods in an amazingly short time. In order to make it worth their while to do so, an exchange rate had to be fixed at which it is profitable to buy in conquered countries. German firms engaged in import trade are also encouraged by the favourable reichsmark rate to maintain and increase their purchases in conquered countries. They are in a position to sell the goods imported from conquered countries at comparatively low prices, and this tends to moderate the rising trend in prices in Germany—a trend which exists under the surface in spite of its repression by drastic measures of price control.

The other side of the picture is of course the depletion of goods stocks in the conquered countries and the rising trend of their inland prices. Price control in the conquered countries is not nearly as efficient as in Germany itself and, notwithstanding all drastic measures, there has been a substantial upward movement since the invasion. This explains perhaps the devaluation of the guilder and the Belgian franc ordered by the Nazi monetary authorities. In this respect too they proceed on the lines laid down by

their policy practised during the German economic penetration into South-Eastern Europe. In various Danubian and Balkan countries the persistent German buying of local products resulted in a rise in the internal price level. This rise gave the German negotiators an excuse for demanding a devaluation of the exchange of the countries concerned. In the case of the conquered countries they do not demand devaluation, they simply carry it through.

The question is how far the Nazi foreign exchange policy in conquered countries may be regarded as a permanent feature of the "New Order in Europe". Possibly some of the differential exchange rates may be abolished after they have served their purpose. In the case of France, for instance, the clearing rate was reduced to the level of the official rate after six months of occupation. Nevertheless, generally speaking it seems probable that the Nazi methods of currency conjuring will continue to be applied. Having derived much benefit from currency jugglery, Nazi Germany is not likely to relinquish the system which serves her so well. Card-sharps or confidence tricksters usually find it difficult to settle down to hard and honest work after having lived by their wits for a prolonged period. If the German monetary authorities feel they can secure advantages by manipulating the exchange rates of the conquered countries in the approved fashion, they will certainly continue to do so.

In any case, since, as we saw in the last chapter, the currencies of the conquered countries are likely to be inflated internally to a much larger degree than that of Germany, it stands to reason that from time to time the discrepancies thus arising will be readjusted

through the devaluation of the exchanges of the countries under German control. It would be difficult to bolster up an artificial exchange rate indefinitely in face of an advanced degree of inflation in these unfortunate countries, and the German authorities are not likely to exert themselves to do so. The chances are that under the "New Order in Europe" we should witness frequent devaluations of the currencies of conquered countries. Before resorting to their devaluation, however, the German monetary authorities will presumably resort to all sorts of subterfuges in the form of subsidiary exchange rates. Currency chaos is likely to be continuous so long as German rule over the conquered countries is maintained.

CHAPTER VII

PRICE POLICY UNDER THE "NEW ORDER"

WE examined in the last two chapters how the Nazi promise to pursue a monetary policy of expansion without inflation and to maintain the stability of the exchanges of the conquered countries is likely to work in practice. We saw that even during the comparatively brief period of German rule that elapsed since the invasion of the countries concerned inflation in these countries made considerable headway, and that their exchanges have been adjusted, in some cases more than once. Our task in this chapter is to examine another Nazi promise that comes within the sphere of monetary policy. It is the promise to maintain prices steady at a level which secures fair remuneration for producers.

Beyond doubt this promise appears, on paper at any rate, one of the most attractive parts of the "New Order" scheme. After all, mankind has suffered a great deal during recent decades through the ups and downs of the price level, and for some time past all the best brains and many of the second best brains in economic science have been engaged in devising methods to obviate undue fluctuations. The Nazis claim to have found the remedy for this evil as for every other evil inherent in a liberal

economic system. They announced their intention to extend over the conquered countries the benefits of their patent remedy. That patent remedy consists of rigid price control enforced with the aid of drastic penalties and reinforced by economic planning which tends to obviate the tendencies making for violent price movements.

As far as the occupied countries are concerned the local authorities are forced to apply a high degree of price control. In addition Germany promises to contribute towards the maintenance of stability of prices in agricultural countries by purchasing their products years in advance at fixed prices on the basis of long-term contracts. This point is of particular importance. It is calculated to appeal to the agricultural populations of the countries which have been conquered or which are liable to be conquered by Germany. For a long time past the peasants in the agricultural countries of Europe found it difficult to compete with agricultural producers in overseas countries where either wages are lower or more efficient methods are employed. They largely depended for their existence upon valorisation schemes by their Governments. In the absence of such schemes they were largely at the mercy of world market fluctuations. When sowing the peasant never knew whether he would be able to obtain for his crop remunerative prices, or, indeed, whether he would be able to sell his crop at all. In such circumstances it is very tempting for the agricultural population of Europe to accept an arrangement which promises to secure both remunerative prices and steady markets.

The Nazis were fully aware of the strong appeal exercised by such promises upon peasant populations

and their Governments in South-Eastern Europe. They took full advantage of this factor in their South-Eastward economic drive before the war. Their buying agents in the course of their effort to secure the maximum amounts of products bid up local prices to well above the world level. This was not necessitated by any competition on the part of Great Britain, as is often suggested by German writers and speakers. Until long after the outbreak of war the extent to which Great Britain sought to acquire products in South-Eastern Europe was negligible and British competition with German purchasers was hardly a factor worth mentioning. If in spite of this unnecessarily high prices were paid by German buying agents, it was due to several considerations. First of all their instructions were to buy up everything urgently and, in order to do so, they had no time to haggle over the price but paid whatever the sellers asked for. Germany did not particularly mind agreeing to high prices because she did not have to pay cash. It is the well-established custom of fraudulent debtors to buy whenever they can do so without having to part with cash, even if the prices quoted by the sellers who do not insist upon cash payment are unduly high. Germany never intended to repay the whole of the amount owed for her purchases and could afford, therefore, to be generous to the sellers. She hoped to escape part of the payment by inducing the exporting Government to agree to a devaluation of their currency in terms of reichsmarks. Apart altogether from this, since, as we saw in the last chapter, the exporters could only obtain payment by increasing their purchases of German goods, Germany was always in a position to gain on the swings what

she lost on the roundabouts. She was in a position to charge more on manufactured goods than she would charge when selling to other countries. Anyhow, in return for the much-needed products of South-Eastern Europe she delivered largely goods which she did not want and which she was unable to sell elsewhere.

Yet another reason for paying high prices for agricultural products was that in doing so the German Government sought to bribe the agricultural populations into supporting its South-Eastward drive. Whenever the Governments of the Danubian and Balkan States became concerned by the abnormally large size of the frozen claim on the German clearing, and sought to prevent its further rise by checking exports to Germany, they incurred unpopularity among the peasants, who were unable to see why their Government should prevent them from selling at a high profit to Germany. In all these countries the agricultural population controlled the majority of the votes and the Governments found it difficult to resist their pressure. Pro-German political movements in these countries found their task facilitated by the fact that, owing to the high prices paid, German buyers were popular.

Last but by no means least, the object of paying high prices for agricultural products in South-Eastern Europe was to divorce the price level in these countries from the world level. The higher their agricultural prices had risen the more difficult it became for them to sell to any country apart from Germany. Having driven the price level of South-Eastern European countries well above the world level, Germany could then play the part of the generous benefactor and

very kindly relieve these unfortunate countries of their export surplus which they were unable to sell anywhere else.

We have seen that during the period of peaceful penetration the price policy followed by Germany in the countries which were claimed to constitute her *Lebensraum* aimed at deliberately raising the internal price level. At the same time Germany was anxious to secure long-term contracts with agricultural producers on the basis of prices fixed a number of years ahead. In October 1938, after the Munich surrender, Walter Funk, Minister of National Economy, made a tour in South-Eastern Europe and in the course of his negotiations he made great efforts to persuade the Governments he visited to sell the entire export surpluses of their countries to Germany at a fixed price. The offer was very tempting since the world market for agricultural products was in a most unsatisfactory state as a result of big harvests. Nevertheless, all the Governments concerned rejected the offer. They refused to tie themselves down on the basis of the then existing prices.

What Germany was unable to achieve even with the aid of economic and political pressure in her *Lebensraum* she will be able to achieve with a stroke of the pen in her *Raubwirtschaftsraum* (Plunderland). Long-term contracts can now be imposed upon the agricultural population of the conquered countries on any terms chosen by Germany. Nevertheless, it seems probable that the prices to be fixed will appear, to begin with at any rate, reasonably attractive. Indeed, judging by the experience of the conquered countries, it is Germany's policy at present to gain favour with the agricultural population

by paying attractive prices in terms of the local currencies. Needless to say, owing to the high reichsmark rate these prices are far from high in terms of reichsmarks, and in any case they are paid by the local monetary authorities and not by Germany. The Nazis can well afford to be generous at the expense of their victims. The result of their policy has been a rise of the price level in the conquered countries since the German invasion. The rise has been kept under control, though the large turnover in the unofficial markets, where prices are well above the official prices, indicates the powerful undercurrent working towards a higher price level.

It is to be presumed that prices in the proposed long-term contracts with agricultural producers will be fixed at levels which at the time of their conclusion will appear to the sellers quite attractive. The question is, will the prices remain attractive at the time when the goods will have to be delivered? It depends on the changes in agricultural and industrial prices which will take place in the meantime. According to the Nazi propaganda argument, there will be no changes in these prices. The Nazi authorities will be able to maintain stability just as they have been able to maintain stability in Germany itself.

It is difficult to accept these Nazi assurances at their face value. It is most unlikely that the German authorities will be able to enforce price-fixing in the conquered countries to the same extent as in Germany. For one thing the undercurrents pressing for a higher price level will be much stronger in conquered countries. As I tried to show in Chapter V, under the "New Order in Europe" monetary expansion will be much more pronounced in the conquered countries

than in Germany. It will assume a distinctly inflationary character if it has not already done so. Moreover, as we saw in Chapter VI, while the reichsmark exchange has been maintained rigidly stable the exchanges of some conquered countries have been devalued by the German authorities ; and the chances are that these currencies will be devalued again and again. This, together with the inflationary expansion of the volume of their currency and credit, will make for a rising trend in prices.

Will the occupation authorities or the local authorities acting upon their instructions be able to check this trend ? Their task would be difficult even if the trend were not stronger than in Germany, for the population of these countries is not nearly as disciplined as the German people. Moreover, price control, like other measures adopted under dictation from Berlin, will be regarded as part of the measures imposed upon the oppressed nations by German tyranny, and for this reason it will be considered patriotic to evade it. The population of the conquered countries owes no loyalty whatever to the German authorities, and moral considerations which make Germans law-abiding will not play any part in influencing their attitude towards price control measures.

The chances are therefore that prices in the conquered countries will tend to rise, if not in the official market at any rate in the black market. It would require vast armies of Gestapo agents to prevent an expansion in the turnover in these markets which will gradually increase in importance. Nevertheless, by exercising their power German authorities will be able to secure Germany's share in the crops at prices

fixed by the contracts. It is the part of the population which cannot afford to pay the prices quoted on the black market which will suffer.

Meanwhile the prices of manufactures will also tend to rise. For one thing devaluations of the currencies of conquered countries will lead to a rise in raw material prices and, what is more important, in the price of manufactures imported from Germany. The agricultural producers who were at first satisfied with the price obtained from the German buyers will soon find themselves at a heavy disadvantage when they have to buy agricultural implements or other manufactures. For one thing there will be no adequate quantities of these manufactures obtainable. The prices they will have to pay for them will deprive them of the surplus obtained through the payment of high prices by German buyers of their goods.

In the course of time the farmers and the population in general will discover that the prices paid by Germany, which were considered generous at the beginning of the German era, were in reality inadequate in the light of the subsequent rise in the price level. They will also discover that Germany is unable to carry out her promise of maintaining a stable price level. This being so, it may well be asked what is the object of the German policy aiming at satisfying the population of the conquered countries by high prices and by the promise of stability, considering that Germany is bound to be found out sooner or later. The answer is that the Nazis wish to gain time pending the consolidation of their position, in the hope that before they are found out they would be able to break the British resistance. Once that is done it does not matter in the least if the disappointed popu-

lations of the conquered countries should become discontented, for Germany will then be able to deal with any outward manifestation of their discontent. It is, therefore, well worth her while to gain time by misleading the population of the conquered countries regarding the objects and prospects of her price policy.

CHAPTER VIII

BERLIN AS AN INTERNATIONAL FINANCIAL CENTRE

ACCORDING to the Nazi programme, under the "New Order in Europe" Berlin would develop into a first-rate international financial centre. Not only would she play the part of financial centre for German-controlled Europe, but also she would act as intermediary between Europe and other continents which are as yet not under German rule. It is the dream of Nazi writers and spokesmen that Berlin should replace London as the world's financial centre.

These ambitions are by no means new. Already before the last war Berlin was making strenuous efforts to compete with London's international banking activities and eventually to replace her as the leading banking centre. At that time Germany was in a position to export capital and it must be admitted that she managed to derive the maximum of financial, commercial and political benefit from her well-planned and skilfully executed international banking policy. Nevertheless, Germany was only third in importance among the lending countries. During the last war the more sanguine among German prophets freely foretold, however, that once victory is achieved Berlin will definitely take over London's lead.

The outcome of the last war shattered these

dreams. During the decades that followed Germany became a debtor country, and a very bad one at that. While her credit was good she was borrowing recklessly abroad, piling up her international short-term and long-term indebtedness. It was during that period that Hitler laid down the fight against the "thralldom of interest" as one of the fundamental points of the Nazi party programme. The Nazi leaders never missed an opportunity to attack the system of international finance and the lending countries were freely accused of "enslaving" the borrowing countries as a result of their loans. Sneers at the international banking community were almost as indispensable parts of Hitler's speeches as the abuse of the Jews and Communists or the attack on the Treaty of Versailles. Judging by the revival of German ambitions to establish an international banking centre in Berlin, however, it now seems that this attitude was largely a matter of sour grapes. Being a "have-not" nation Germany did not appear to have any hope of becoming a creditor and a lender, and, therefore, in her capacity of a debtor it was only natural that she should abuse the creditors. As a result of the sweeping success of Hitler's military plans, however, Germany has now entered the ranks of the "have" nations and hopes to be able to assume the functions of an international banking centre with the aid of the money looted in conquered countries.

There is another explanation of the sudden development of Nazi ambitions to become international bankers. It forms part of the efforts aiming at conveying the impression that there is a distinct swing to the Right in the trend of the Nazi movement.

The object of these tactics is to gain the support of Big Business in the United States and other neutral countries and also to secure the collaboration of industrialists and financiers in the conquered countries. In those circles the Nazi endeavour to develop international banking is apt to be regarded as a point in Germany's favour. The favourite myth that Hitler is a bulwark against Bolshevism, which became utterly discredited after the Molotov-Ribbentrop agreement in August 1939, has come into its own again as a result of the display of a swing to the Right which has become noticeable since the autumn of 1940.

As part of these efforts to convey the impression of a swing to the Right, the Nazi spokesmen have even begun to flirt with the idea of eventually returning to some form of gold standard. This idea was launched into circulation entirely unofficially by certain organs of the Nazi Press while Hitler himself continued to denounce gold in his speeches. Conceivably Germany's unofficial voice was on this occasion inspired by official quarters partly in anticipation of the seizure of South Africa's gold and partly in order to gain support in the United States.

Various other steps have also been taken in order to indicate a swing to the Right and to prepare the ground for the establishment of Berlin as an international banking centre. During the autumn months the German dollar bonds in Wall Street were systematically supported by the German authorities and their price rose materially. This was done in order to increase the financial prestige of Germany in the United States. Unofficial Nazi writers went so far as to promise to repay the whole German debt to the United States after the war — out of British, French,

Dutch and Belgian gold reserves which are at present deposited in the United States. Considering that the United States has physical possession of this gold and that as far as French, Dutch and Belgian gold is concerned it has been blocked by the American authorities, the offer is not particularly tempting from an American point of view. Nevertheless, a promise to repay the German bonds which now stand at a heavy discount may impress a number of people.

Yet another move in the same direction was the abolition of the quotation of various types of registered marks in Holland. While before the conquest these quotations stood at a heavy discount against the official reichsmark rate, in October the Dutch monetary authorities received instructions to buy registered marks and other blocked marks at the official rate. Needless to say, this move through which Germany hoped to gain financial prestige in Holland costs nothing to Germany since it is the Netherlands Bank that has to pay for the blocked marks. The same is true concerning the measure by which certain Dutch funds blocked in Germany for years have now been released. It is the Netherlands Bank that has to pay out guilders to the Dutch owners of these funds so that the change does not mean any sacrifice for Germany. The hopes attached to this move failed, however, to materialise. The release of the blocked Dutch funds resulted in a boom on the Amsterdam Bourse but the upward movement was confined to Dutch securities. The German Government loans actually declined while Dutch securities were rising rapidly, so that the German authorities eventually decided to suspend the quotation of the Dawes and Young Loans.

During the course of trade penetration in South-Eastern Europe Germany had under consideration various plans for developing her international banking activity in that part of the world. After the *Anschluss* Vienna was designated to be the banking centre for South-Eastern Europe. There were various suggestions for some kind of uniform currency with the aid of which Germany could tie the Danubian and Balkan States to her economic system. These plans appear to have now been shelved and it is apparently the intention of the Nazis to allow the conquered countries to retain their national currencies. Instead of introducing an international unit the Nazis are now planning the establishment of a multilateral exchange clearing system with Berlin as its centre. This scheme will be examined in detail in the next chapter.

In order to be able to develop Berlin as an international banking centre, it would be necessary for her to develop from a borrowing centre into a lending centre. Nazi writers are full of hopes that Germany will assume the rôle of supplying the conquered countries with capital resources. Already during the South-Eastward trade drive Germany was willing to grant long-term credits for the purpose of arms deliveries and capital expenditure. This may appear paradoxical considering that all the time she was borrowing from the South-Eastern European countries in the form of an excess of her imports over her exports. The explanation is that it was not to the interest of Germany to wipe out her frozen indebtedness on the clearing account. To do so would have weakened her commercial and political hold over the countries concerned. For this reason she was prepared to export against payment several years

hence, because in the meantime the South-Eastern European countries remained in possession of large frozen reichsmark balances, which was exactly what Germany wanted.

Under the "New Order in Europe" Germany wants to lend to South-Eastern European countries and other conquered countries on a much larger scale. Considering the Nazi diatribes about "interest slavery" and the "golden chains" with which creditors tie down unfortunate debtors, it may sound strange that she now should want to assume the rôle of lender and creditor. That is, it may sound strange to anyone not acquainted with the utter opportunism of Nazi propaganda.

Needless to say, the Nazi contention about debtors being slaves to creditors is entirely unacceptable under conditions prevailing in recent times. Since 1931 the debtors' position has become a very strong one. Many of them defaulted and creditors simply had to accept what they eventually chose to pay. To suggest that creditors gain undue influence over the debtor countries is in flagrant contradiction of very obvious facts, and especially of the experience of Germany herself. Ever since the advent of the Nazi régime Germany pursued a foreign policy very much contrary to the wishes and interests of her foreign creditors. She also embarked upon rearmament on a gigantic scale at the cost of defaulting on her foreign debts, for the purpose of eventually conquering her creditors. This example clearly shows how utterly incapable foreign creditors are to interfere with the destinies of a debtor nation.

It formed part of the armoury of Germany's diplomacy to encourage other debtor nations to

default. It was not sheer coincidence that the visit to Germany of a representative Brazilian financial delegation during the early 'thirties was followed by a default on the Brazilian debt. One of the fruits of the economic conference of 1933 was that the Rumanian Finance Minister, M. Madgearu, following upon the luncheon with Dr. Schacht, suspended payment of the entire Rumanian external debt pending negotiation of a new agreement. The fact that he followed German advice in that instance did not save him from his ultimate fate of being assassinated by Germany's Rumanian hirelings during the massacres of December 1940.

It may be said without fear of contradiction that in existing circumstances creditors are much more dependent upon debtors than debtors are upon creditors. By becoming a large debtor of the conquered countries Germany further increased their dependence upon her. In Denmark one of the favourite arguments of the local Nazis is that it is to the interest of the country that Germany should win this war, for, should she be defeated, Denmark would never be able to recover the huge amount she was forced to lend to her in the form of an excess of imports over exports. The amount thus borrowed by Germany for the purchase of goods and for the payment of German troops in Denmark is now estimated to be in the vicinity of 1,000,000,000 kroner, which is a very considerable amount for a small country of Denmark's size. Other conquered countries are in a similar position, though in the case of some of them the amount of Germany's indebtedness is being reduced by the payment of occupation expenses.

There is every reason to believe that Germany

will continue to borrow from the conquered countries in the form of excessive imports under the "New Order in Europe". It is by such means that she will be able to exploit them for the benefit of the ruling race. On the surface it may seem to be difficult to conciliate this with the German claim of developing Berlin as a lending centre. Yet, as we saw during the period of peaceful penetration into South-Eastern Europe, it is by no means impossible for Germany to lend while she is a debtor herself.

In this respect it is necessary to discriminate between the treatment of the conquered countries in Northern and Western Europe on the one hand and in Eastern and South-Eastern Europe on the other. The former have already developed their natural resources to the limit of their capacity and do not require any sums for capital expenditure of that nature. Moreover, they have ample financial resources of their own. In any case it is Germany's declared intention to demobilise their industries, which means that some of the capital tied down in those industries in so far as it will not be destroyed will become released for other purposes. There is therefore very little scope for Berlin to lend to these countries. Nevertheless, since the Nazi rulers made up their minds that Berlin is to lend to them she will do so, not for any constructive purposes but for the purpose of financing reparations transfers from these countries to Germany. To some extent reparations will be collected by cancelling the frozen reichsmark balances on their German clearing accounts. There is reason to believe, however, that Germany's demands of reparations payments will exceed the exporting capacity of the conquered Western European countries,

and this being so, they will have to borrow the balance in Berlin. It is by such means that Berlin will lend to Holland, Belgium, France and other countries. The German "capital export" will assume the form of acquiring the financial control of industrial and commercial undertakings and of real property in the conquered countries.

The method pursued will be different in Eastern and South-Eastern European countries which have ample unexploited natural resources and which are deficient in financial resources. In order to increase their production for her own benefit, Germany will export capital to these countries in the form of machinery and equipment. At the same time, however, these countries will continue to export and even over-export their current production to Germany, and since Germany will largely confine her exports to these countries to capital goods, the chances are that trade between them will be fairly evenly balanced. This does not mean, however, that the Eastern European countries will not become heavily indebted to Germany. They too will have to pay reparations — Rumania is already paying exorbitant amounts on account of occupation costs — and the transfer of these payments will probably more or less offset Germany's debts to them on account of her current imports. In that case Germany's capital exports will therefore lead to the development of a substantial indebtedness of these countries to her. Actually the capital goods will be exported to German enterprises established in conquered countries, so that the whole transaction really amounts to financing German enterprise in German occupied territory. Nevertheless, since the German firms in question will operate on technically

non-German territory which has a separate currency, the result will be an increase of the long-term indebtedness of these countries in relation to Germany.

The functions of Berlin as a financial centre will mainly consist of re-lending to the conquered countries money stolen from them. Having reduced her own external debt through default, repudiation or repurchase of loans well under parity, Germany will develop into a creditor nation, that is, if the "New Order in Europe" will last long enough for her to achieve this ambition.

CHAPTER IX

GERMANY'S UNILATERAL ADVANTAGES FROM MULTILATERAL CLEARING

ONE of the problems which conquerors have to solve is the co-ordination of the currencies of the conquered nations with that of the conquering nation. Japan solved the problem by forming a "yen bloc". The conquered territories of the Asiatic mainland adopted currencies of their own which were rigidly stabilised in relation to the yen and which were secured by a deposit of yen notes or securities. Italy simply introduced the lira as the currency of her African possessions. Germany, on the other hand, plans to retain the currencies of the conquered countries nominally at a fixed parity with the reichsmark, but in practice at a parity which can be changed in accordance with Germany's interests.

According to the Nazi plan, under the "New Order" the various national currencies of the conquered countries will be linked with each other and with the reichsmark by means of a multilateral exchange clearing system. As is well known, exchange clearing between two countries is an arrangement by which the importers of each country, instead of paying direct to the exporters of the other country by transferring funds through the foreign exchange market,

have to pay in the purchase price into a clearing account out of which the exporters of their own country receive payment. Thus under the exchange clearing agreement between, say, Germany and Yugoslavia, Yugoslav importers, instead of remitting the purchase price to the German exporters, pay it into the German clearing account with the National Bank of Yugoslavia. Out of the funds thus obtained the Yugoslav exporters to Germany receive payment. Conversely, German importers from Yugoslavia pay the purchase price into the Yugoslav clearing account with the Reichsbank and these funds are used for making payments to German exporters to Yugoslavia.

The system began to operate in 1931 and was the result of the transfer difficulties brought about by the international financial crisis. It served a very useful purpose in that it enabled countries which could not afford to pay in foreign exchange for their imports to maintain their imports. The system had the disadvantage that its smooth working necessitated the balancing of trade between two countries. Imports of Germany from Yugoslavia necessitated imports of Yugoslavia from Germany. The result was the accumulation of a frozen Yugoslav claim on the German clearing which caused a delay in payments to Yugoslav exporters. To avoid this countries with exchange clearing endeavoured to balance their trade accounts with each other, and the result was that international trade was becoming increasingly bilateral. Although in some instances arrangements were made for the frozen claim on one clearing account to be offset through a triangular operation against a debit balance on another clearing account, these arrangements were very exceptional and difficult to negotiate.

From the very outset there were schemes under consideration for the establishment of a multilateral clearing system by which the debit and credit balances of all the clearing accounts would be offset against each other by a central clearing institution. Such an arrangement if properly applied would be in many ways an ideal substitution for the open foreign exchange market. The system is by no means a Nazi invention and certainly it does not form an integral part of the Nazi economic system. Indeed it was not until the autumn of 1940 that Nazi writers appropriated it for the purpose of increasing the appeal of their "New Order" propaganda.

Germany played a very important part in the practical development of the exchange clearing system, but even in that respect she cannot claim the merit of originality. The first exchange clearing agreement was concluded in 1931 between Switzerland and Hungary and it was not until 1932 that Germany concluded her first exchange clearing agreement. Having made a start, however, she made rapid progress in the application of the system and within a few years her commercial and financial relations with most countries were regulated by some form of exchange clearing.

At the beginning this system was on the whole advantageous to all parties but soon after the advent of the Nazi régime the German authorities began to abuse it to secure one-sided advantages for Germany. The policy they pursued was to increase their purchases to the utmost limit of possibility from countries with which they had exchange clearing arrangements. By such means they were able to contract large external credits at a time when no foreign country

would have thought of deliberately granting credits to Germany. By the time the countries concerned realised what was happening they were landed with a very large frozen balance in their favour on their German clearing account. While the countries of Western Europe which were caught by this trick could afford to carry their claim, the countries of South-Eastern Europe where the German device was applied with equal success were in a distinctly less favourable position.

This was only one of the many methods by which Germany abused the bilateral exchange clearing system. Another favourite Nazi device was to buy goods from countries with which exchange clearing operated and sell them against free exchange in other countries. In other words, Germany resold for cash goods she bought on a credit basis. By this and by many other ways Germany has always managed to secure unilateral gains out of bilateral clearing.

After the conquest of Czecho-Slovakia the problem arose what should be done with the Czecho-Slovak clearing accounts with third countries. While Germany owed money on most of their clearing accounts, Czecho-Slovakia, on the other hand, had credit balances in relation to most countries in South-Eastern Europe. Nothing could have been more natural than to offset the Czech credit balances against the German debit balances. This was not, however, the idea of the German monetary authorities. They preferred to maintain the German and Czech clearing accounts independently of each other. The explanation of their attitude is simple. Since Germany had debit balances on her clearing accounts, it was necessary for the South-Eastern European countries to buy

more German goods in order to reduce their frozen claim against her. At the same time, since these same countries had a debit balance on their Czech clearing, it was necessary for them to sell more goods to Czechoslovakia (that is, to Germany) in order to settle their debt. By refusing to allow the credit balances on the Czech clearings to be offset against the debit balances on the German clearings, Germany obviously got the best of both worlds.

Since the German invasion of a number of countries in Northern and Western Europe, her clearing balances in relation to these countries have increased materially. Germany's clearing debt in relation to Denmark in particular increased to a spectacular extent, as a result of heavy German purchases of Danish goods and the simultaneous decline of German exports to Denmark. The German Government had not the least intention of abolishing the clearing agreements with countries which came under German rule. Instead of treating them as forming part of the German Empire from a commercial and financial point of view, Germany treated them as if they were still independent countries and traded with them on the basis of their exchange clearing agreements as before. On the surface this may have appeared to be a concession in favour of the countries concerned. Their populations were probably gratified by the fact that, instead of having to adopt the currency of their hated oppressor, they were allowed to retain their national currencies. In reality this was one of the many skilful devices applied by Germany for their exploitation. Had they been absorbed by the Reich from a financial point of view, Germany would have had to spend reichsmarks on the purchase of their goods. As it is she continues

to buy their goods through her exchange clearing with them and consequently no reichsmark payment is passed. The exporters of the conquered countries have to be paid as before out of the funds on their German clearing accounts obtained through payments by their importers of German goods. Unfortunately for them, since the conquest imports from Germany declined considerably. Consequently the balances on the German clearing accounts of the conquered countries are very low, and since the exporters of these countries cannot afford to wait indefinitely for their money, their monetary authorities have to grant them advances. This means in practice that it is these monetary authorities who really pay for the German purchases of goods in the conquered countries. As a result of Germany's generous concession in allowing them to retain their national currencies it is these national currencies, and not the reichsmark, which are expended in financing German purchases.

This system has also another advantage from a German point of view. As a result of the increase of German imports from the conquered countries the Reichsbank received very substantial amounts from German importers making payments into the clearing accounts. At the same time, owing to the decline of German exports to these countries, payments made from these clearing accounts to German exporters declined. Consequently a very substantial reichsmark balance accumulated on the various clearing accounts, and to that extent the German currency and credit structure became deflated. The funds accumulated on the clearing accounts became available for use by the Treasury of the Reich.

Germany has thus succeeded in securing for herself undue advantages from the bilateral exchange clearing system, both before and since the conquest of a great part of Europe. It seems unlikely that under the proposed multilateral exchange clearing scheme she will have less opportunity to abuse the system.

Regarding Germany's own clearing accounts in relation to the conquered countries it is difficult to see how the proposed arrangement would make any difference to her position. Since Germany has a debit balance in relation to all conquered countries, they are unable to offset this balance against any counterclaims through the central clearing office which is to be established in Berlin. From this point of view the proposed clearing arrangement would lead to a deadlock. All the participants would be anxious to find some other participant willing to relieve them of their frozen reichsmark balances and would be unable to do so. It is of course possible that the proposed multilateral clearing institute will be used for offsetting German debts on commercial accounts against German claims on account of reparations and occupation expenses. By such technical devices Germany may seek to give the appearance of respectability to her policy of plunder. It is conceivable that the credit balance of one conquered country will be cleared against the reparation debt of another conquered country. Thus if Belgium has a large credit balance while Holland has a large reparations debt against Germany, the result of the working of the proposed scheme would be that Holland would take over Germany's indebtedness towards Belgium.

Evidently the multilateral clearing scheme would not solve the problem created by the unilateral trend of Germany's clearing accounts with conquered countries. The next question to be examined is whether the scheme would be helpful in any way regarding trade between the conquered countries themselves. In theory the arrangement would be useful from this point of view. In practice, however, its usefulness would be greatly reduced by the fact that trade between conquered countries would be controlled entirely by Germany. It is the German authorities who will decide whether, after meeting Germany's own requirements, any surplus that is left over can be exported to some other conquered country. Moreover, the clearing of claims and counterclaims through the Berlin institution will not work automatically. It will be the German-controlled clearing office which will determine whose debit balance should be cleared against whose credit balance. By such means the German authorities would be in a position to distribute rewards and punishments among the conquered countries according to their behaviour. In return for services rendered they would enable a conquered country to collect its claim against another conquered country by means of multilateral arrangements. On the other hand, if a conquered country's behaviour is disapproved of in Berlin a mild reproof can be administered in the form of leaving it in possession of frozen balances on their clearing accounts, or even exchanging their comparatively liquid clearing balances for clearing claims against a much less solvent country.

It is to be feared that the idea of multilateral clearing may become discredited through its abuse

by Germany. This would be unfortunate, for multilateral clearing is undoubtedly the system of the future, and its eventual adoption would suffer delay if it became thoroughly unpopular through the German experiment.

CHAPTER X

THE NAZI IDEA OF INTERNATIONAL DIVISION OF LABOUR

EVER since Adam Smith international division of labour has been one of the foremost ideals of most British schools of economists. British politicians too from the middle of the nineteenth century were always doing their best to live up to this ideal by pursuing a policy of free trade. Until quite recently the achievement of international division of labour was one of the fundamental aims of British trade policy. It had become deeply ingrained in the minds of all classes.

In substance the theory of the international division of labour can be summed up as follows: Provided that all Governments refrain from interfering with economic tendencies by means of customs barriers, subsidies, etc., the law of the survival of the fittest would prevail in world economy. In every country those branches of production which grew up and remained in force under the protection of Government measures would then die out, and only those branches which have a natural *raison d'être* would thrive. The result would be that after a painful but inevitable period of transition, every country in the world would settle down to the production of the goods which it can produce amidst the most favour-

able local conditions. This would entail considerable economy in labour since no labour would be wasted any longer upon uneconomic production. *Laissez-faire* and international division of labour would thus result in a world-wide rationalisation of production.

The idea of international division of labour was never popular in Germany. While it had a few supporters among academic economists, the Germans' contribution to economic thought was the development of an antithesis to the British doctrine of *laissez-faire* and international division of labour. In the nineteenth century Friedrich List developed the theory that every country has to produce at home all the goods which are required for national defence. Even in the days of List this comprised a wide variety of goods, while in the present day it comprises an infinite variety. In practice German statesmen followed List's doctrine as much as possible, and since the last decades of the nineteenth century a number of economically unjustifiable industries were developed in Germany for considerations of national defence. Since the advent of the Nazi régime it has been Germany's declared policy to aim at the highest possible degree of self-sufficiency.

In such circumstances it may sound strange that at a time when Britain felt compelled to abandon the ideal of international division of labour, Germany should declare herself the standard-bearer of that ideal. Yet this is what has appeared to happen since the conquest of Northern and Western Europe by the German armies. The promise of the blessings of international division of labour forms one of the most important points of the "New Order in Europe" propaganda.

It is no wonder that some gullible British economists are inclined to approve this aspect of the German "New Order" scheme. It appeals to them all the more since it comes after an orgy of economic nationalism in Central and Eastern Europe. The result of the Peace Treaties was the dismemberment of the Austro-Hungarian and Russian Empires into a number of small States, each one of which endeavoured to build up industries of its own. The result was that entirely uneconomical industries were bolstered up by Government intervention, while, on the other hand, the industries in other countries which formerly supplied the populations of the new countries lost a great part of their markets. The British public, brought up on free trade principles, strongly disapproved of the dismemberment of Europe into small customs territories. Being firmly convinced of the great advantages of trading over large areas, British experts were inclined to doubt that the small customs areas created by the Peace Treaties could ever secure prosperity or even reasonable existence for their population. The British attitude towards Austria was characteristic in this respect. From the very outset it was declared that Austria had no *raison d'être* and that her only salvation would lie in her absorption by the German Reich. Even though before the *Anschluss* Austria had succeeded in solving most of her economic problems and was as reasonably prosperous as she could be expected to be amidst difficult political conditions, British opinion was in a way relieved that at last this small economic unit had been absorbed by a larger economic unit. There would be doubtless many people in Great Britain who would consider the absorption of the entire

Continent into the German customs territory a blessing in disguise from an economic point of view, even though it would be disastrous from a political point of view.

It is not Germany's idea, however, to create one large customs territory in Europe. Under the "New Order" scheme most of the conquered countries would remain separate economic units with customs barriers and national currencies of their own. Even though liberal economists would prefer to see the disappearance of customs barriers, they are inclined to believe that if international division of labour could be achieved without doing so, it would be the next best thing that could possibly happen. They are aware that the right thing would not be happening in the right way, for international division of labour would not be brought about by the natural play of economic factors under *laissez-faire*; it would be imposed upon the conquered countries by the conqueror's will. Even so, they prefer international division of labour achieved by such means to the system of isolated national economies that prevailed before the German conquest.

What these economists, hypnotised by their dogmatic belief in their favourite doctrines, fail to realise is that the international division of labour to be brought about by Germany in German-controlled Europe is something totally different from the international division of labour that would come about through the unhampered work of natural economic tendencies. Under the "New Order in Europe" it is not the fittest branches of production that will survive in every German-controlled country. Admittedly it is to the interest of Germany that production in the

conquered countries should bring the highest possible return, not in order to be able to increase the standard of living of the conquered peoples, but in order to be able to secure the maximum of benefit for Germany. Nevertheless, there are considerations which overshadow in importance this desire to increase the output of the conquered countries.

Experience during the German trade drive in South-Eastern Europe indicates that Germany's economic policy within her *Lebensraum* is by no means guided by the desire of developing those branches of production which are economically justified in the countries concerned. In Hungary, Rumania and other countries, Germany was systematically discouraging the creation of agricultural industries which would have conferred considerable benefits on these countries. It is to the advantage of meat-producing countries, for instance, to be able to manufacture meat products which are more durable than fresh meat. Similarly, the establishment of fruit-canning industries is essential for the prosperity of fruit-growing districts, which would be otherwise at the mercy of their purchasers of fresh fruit. In spite of this Germany did her utmost to discourage the development of such industries in South-Eastern Europe. She was in a position to do so because the South-Eastern European countries could ill afford to buy the necessary equipments elsewhere than in Germany. Since Germany took the bulk of their exports, they had not enough foreign exchange to place orders for such equipments elsewhere. It goes without saying that Germany abused her monopolistic position and her quotations of equipments for fruit-canning or meat industries were on occasions several hundreds per cent

above the corresponding quotations in other industrial countries. In such circumstances it ceased to be a commercial proposition to establish the plants, much as they were needed from the point of view of the prosperity of the agricultural communities concerned.

Germany derived very obvious advantages from her attitude. It was to her interest that the agricultural producers of South-Eastern Europe should depend upon German purchases to the highest possible degree. Since it was impossible to sell elsewhere the perishable products of Hungarian fruit-growing districts, Germany was in a position to put pressure on Hungary by delaying her purchases just at the time when the fruit crops became available. This was actually done during the summer of 1938 when the Nazi Government became annoyed with the Hungarian Government for refusing to suppress an anti-Nazi book published by a Hungarian author. The purchases of Hungarian fresh fruit were suspended and, rather than expose the fruit-growing districts to certain ruin, the Hungarian Government yielded and suppressed the book in question. Many similar instances could be quoted to indicate how the German idea of international division of labour in South-Eastern Europe worked in practice.

It is true that Germany was also opposed to the development of uneconomic "hothouse" industries in that part of the world and discouraged the purchase of equipments to that effect. This was done, however, not in order to achieve the ideal division of labour, but because it happened to suit Germany's interests. In other directions Germany actually encouraged uneconomic lines of production because this was in accordance with her interests. An example of

this attitude is provided by the encouragement of soya bean production in Hungary, Rumania and Bulgaria. The cost of soya beans produced in South-Eastern Europe was far in excess of the cost of those imported from the Far East. Nevertheless, Germany actually subsidised the development of soya bean production in the Danubian countries because she wanted to reduce the extent to which she depended upon overseas supplies. Soya beans are essential for German war production, and for this consideration Germany was doing her best to establish an uneconomic line of production in South-Eastern Europe. It had the additional advantage from a German point of view that, since no other country was prepared to pay high prices for Danubian soya beans, the existence of this branch of production depended upon continued German goodwill towards the producing countries. Therefore the degree to which these countries depended economically upon Germany was increased further.

So much for the German economic policy aiming at international division of labour during the period of peaceful penetration. The extent to which the policy could be put into practice was limited because the South-Eastern European countries did not altogether depend upon Germany at that time. They were in a position to place some orders for equipments elsewhere, thanks largely to the British policy of economic assistance to South-Eastern Europe. Turkey in particular was enabled to secure British equipments, much to the displeasure of Germany.

The position of countries conquered by Germany is, of course, totally different. There Berlin was in a position to impose upon the countries concerned her

scheme of international division of labour. Goering's circular concerning economic exploitation of Poland — quoted in Chapter IV — clearly showed the lines upon which German policy was proceeding. The circular instructed the occupation authorities to stamp out any industries which were not wanted for German requirements. There was no question of differentiating between industries which had economic *raison d'être* and those which were artificial growths. The sole consideration which was to guide the German occupation authorities was whether the Polish industrial plants were considered useful from a purely one-sided German point of view. If not, they had to be stamped out even though they had every justification to exist from the point of view of Polish national economy.

A similar attitude was adopted by the German occupation authorities in other conquered countries. In Holland, Belgium and occupied France many factories were dismantled and their machine tools and other equipment transferred to Germany. Many of the industries concerned had a perfect economic *raison d'être*, but they had to suffer the fate imposed upon them by Germany simply because for strategical reasons the Germans preferred to transfer the production of war materials to the territory of the Reich. In this respect Germany pursued the same policy as during the last war when no lip service was paid to international division of labour for the justification of the removal of Belgian arms factories from Liège to Germany. In a number of instances the munitions factories were left undisturbed, simply because it was considered essential from a German military point of view to maintain the continuity of their output. Here

again considerations of international division of labour played no part in the decision to maintain these industries.

From the point of view of international division of labour it is difficult to see reason for the differentiation between the German attitude towards Western Europe and Eastern Europe. While many arms works in Belgium, Holland and France were dismantled, those in Poland and Czecho-Slovakia were left undisturbed and were even expanded for the simple reason that they were considered to be safer from the British bombers. Admittedly these are temporary considerations but, to quote the popular French saying — "*Ce n'est que le temporaire qui dure*". Evidently the policy pursued in this respect serves the immediate interests of the present war. At the same time it can be explained also on the ground that Germany expects this war to end in a stalemate and, without breaking the power of Great Britain, she hopes to retain control over the Continent. This would mean that she would have to begin immediately to prepare for the next war. For that purpose it would be to her interest to concentrate her war industries in the eastern provinces of the Empire, so as to reduce their vulnerability to air attacks.

The ultimate end is of course to concentrate all war material industry within the borders of the Reich. Possibly from this point of view Czecho-Slovakia is now regarded as being an integral part of the Reich. On the other hand, the Western and Northern European countries will continue to be regarded as foreign countries under German domination, which will have to be deprived of any means of recovering their independence. For this reason it is

considered essential that the heavy industries of these countries should also be dismantled as far as possible. There is indeed a tendency towards the conversion of all these industrial countries into agricultural countries. But the chances are that a number of more or less harmless industries will be allowed to remain. Others will either be dismantled by direct action or starved of fuel and raw materials until they become bankrupt.

The primary aim of the Nazi scheme of international division of labour under the "New Order" is thus to secure for Germany the maximum of strategical advantages. The conquered countries would be rendered helpless both from a military and economic point of view. The chances of the success of any armed rising against Germany would be reduced to a minimum, and should Great Britain be able to land armies in these countries, her gain in securing the economic war potential of the liberated countries would be smaller as a result of their industrial demobilisation.

Apart from strategical considerations, the international division of labour under the "New Order in Europe" would be guided also by economic considerations, that is by the supreme interests of German economy. The policy pursued in this respect will be examined in detail in the next chapter, dealing with German industrial policy under the "New Order". Here let it be sufficient to point out that in this respect too the natural ability of the conquered countries to produce the best goods at the cheapest cost will be a secondary consideration. Industries which compete with well-established German industries or even with industries which can be estab-

lished in Germany will be stamped out, even though under a genuine international division of labour they would have every right to exist.

Regarding agricultural production too, the principles of international division of labour are perverted for the benefit of German interests. The conquered countries will have to adopt extensive agricultural systems, not because they are more suited for such systems, but simply because the selfish interests of Germany demand that they should do so. This aspect of the international division of labour will be examined in greater detail in Chapter XIII, dealing with agricultural policy under the "New Order".

It is to be hoped that the truth about international division of labour under the "New Order in Europe" will be realised by those who are at present inclined to be misled by Nazi propaganda. The gullibility of economists in accepting material which fits in with their favourite doctrines knows no boundaries. Nevertheless, it is important that even if they should continue to be misled by skilful Nazi propaganda about international division of labour, they should not be in a position to mislead others less biased in favour of their pet doctrines.

CHAPTER XI

INDUSTRIAL POLICY UNDER THE "NEW ORDER"

THE previous chapter already covered to a large extent the subject of Nazi industrial policy in the conquered countries. We saw that for strategical and economic reasons Germany has decided to dismantle many industries in conquered countries and to transfer their work to the Reich. In this chapter we are primarily concerned with the ultimate end of Nazi industrial policy under the "New Order in Europe". This ultimate end is to build up in Germany a super-industrial system and to convert the Reich into the workshop of a largely agriculturalised Europe. In modern conditions industrial power means military power, political power and economic power. It is by means of industrialisation to the limit of possibility that the standard of living of the population can be raised. The national wealth per head of the population depends largely upon the degree of industrialisation. Admittedly the other side of the picture is a decline of the agricultural population, which, in the long run, is bound to affect unfavourably the national physique and national health. The physical qualities of the race are liable to suffer through their too one-sided industrialisation.

The Nazi leaders hope to secure all the advantages

of extreme industrialisation without its disadvantages. They want to develop their industrial State, not to replace agricultural economy as it was done in Great Britain and to some extent also in Germany in the past, but to grow up side by side with a prosperous agricultural community. The population engaged in industry will have to be increased, not through a depopulation of agricultural areas, but through the import of cheap unskilled foreign labour. This is already being done on a very large scale. First of all prisoners of war are retained by the million and are largely engaged in industrial labour. Political prisoners in the conquered countries are also brought over to the Reich for the same purpose. The threat of deportation of workmen to the Reich is used in order to discourage sabotage in conquered countries. If an act of sabotage is committed and its author cannot be identified, then a large number of the workmen engaged in the factory are deported in order to provide a deterrent example. The number of workmen thus transferred to the Reich must be already considerable and is likely to increase. In addition the occupation authorities are instructed by Berlin to send to the Reich conscript workers by the million.

Simultaneously with the application of force for the transfer of foreign industrial labour to Germany, the same end is served also by means of trickery. One of the objects of the "disindustrialisation" of conquered countries is to throw out of employment millions of industrial workmen who will thus become available for work in the Reich. The replacement of intensive agricultural systems by extensive agricultural systems serves partly the same purpose. The

deliberate creation of unemployment is in itself not enough, however. If the Nazis depended upon voluntary emigration of the unemployed workmen to the Reich they would have to wait long before they achieved the results desired. To accelerate the process they instructed the local authorities in the conquered countries to withhold the dole from any workman who is not prepared to accept work in Germany. This is being done with fairly considerable success. The workmen have to choose between starvation and emigration to Germany. Their difficult position is exploited by the German employers, who pay them very low wages. It is understood that wages paid to Dutch workmen are about 30 per cent below those paid to the corresponding classes of German workmen, who themselves are at the time of writing far from being overpaid. It is believed that part of these wages are contributed by the Dutch authorities; they have to pay over to the German authorities the amount which they would have paid out in dole to the Dutch workmen had the latter not obtained employment in Germany. The result is that Germany secures the work of foreign industrial labour at a purely nominal cost.

The problem of increasing the number of hands engaged in expanding German industries without diverting labour from German agriculture has thus been solved satisfactorily from a German point of view under the "New Order". There remains to be solved the problem of safeguarding the health and physique of German industrial labour. This the Nazis hope to achieve by means of improving the standard of living of German industrial workers, largely at the expense of their foreign fellow-workers. The

expansion of German industries will make it possible to secure for most German workers superior posts as foremen or skilled labourers. All the heavy, unpleasant and unskilled labour will be done by foreign slave labour. The latter's wages will be kept at the bare subsistence level, and for this reason German employers will be well in a position to pay very generous wages to their German workmen. They will develop into a kind of industrial aristocracy with a high standard of living and will therefore improve in health and physique.

The expansion of German industrial interests beyond the boundaries of the Reich will make it possible to find many more highly paid jobs for German foremen and skilled labourers. Such industries as are allowed to continue to exist in conquered countries will gradually come under German management and will engage Germans for all the better-paid posts. As in the case of industries in the Reich itself, the low level of the wages of non-German labour will enable the employers to pay very high wages to their German employees. The latter will occupy all the key positions and the local population will gradually be reduced to the rôle of unskilled labour.

There is a great deal said in the course of the "New Order" propaganda campaign about the cartels which the Germans hope to form, first within German-controlled Europe and then between Europe and other continents. As far as the cartels under the "New Order" are concerned, they will be simply an internal arrangement determined by Berlin without regard to the interests of the conquered countries. As the national owners of industries are gradually squeezed out, all the contracting parties of these

cartel arrangements will be Germans, so that the cartel will not be international but purely domestic between German industrialists within the Reich and those in conquered countries. These industries will be so closely interwoven that they will constitute largely one single industrial unit.

Once this is achieved, Germany will be in a very strong bargaining position in relation to the industries of other countries as yet unconquered. Since she produces largely with the aid of slave labour driven to work under the threat of rubber truncheons and bayonets, German industries will be in a position to under-sell rival industries in most markets; all the more so as the Nazi Government will not hesitate to subsidise its industries in international competition, as she did in the past. In such circumstances the dice will be loaded heavily in favour of German-controlled industries in international cartel negotiations. American and other rival industries would soon feel the full weight of the competition of European industries organised under the Nazi régime.

CHAPTER XII

FOREIGN TRADE OF NAZI-CONTROLLED EUROPE

IN Chapter IX we examined how trade is likely to develop between various parts of Nazi-controlled Europe. Our present task is to examine the prospects of foreign trade between Nazi-controlled Europe on the one hand and the rest of the world on the other. Needless to say, the Nazi leaders envisage the organisations of such trade only as a transitional measure, pending the completion of Nazi world conquest. It will be necessary for Germany to consolidate her régime in Europe before embarking upon further conquests. That period of consolidation need not be very long, for, as past experience has proved, Germany has an amazing capacity of digesting the countries she conquered within a brief space of time. The interval between two campaigns of conquest is needed mainly for the purpose of the replenishment of food and raw material supplies. To that end it will be necessary for Germany to organise the production of food and raw materials in the territories under her control, and at the same time to import as much essential materials as possible from other countries.

The organisation of foreign trade with countries outside Europe will also be considered necessary as a

method of lulling them into a false feeling of security. The negotiation of trade agreements and cartel agreements will convey the impression that, after her series of conquests, Germany would now settle down to peaceful and constructive work. For this reason alone it will pay Germany to show much interest in the organisation of trade between the countries under her control and the rest of the world.

Under the "New Order" Germany will be in a position to negotiate on behalf of Europe as one large unit. This will secure for her considerable advantages. There will be no competition of various European countries to drive up the selling price of non-European products. Nor will there be any competition of various European exporters enabling non-European importers to play up one against the other and secure better terms. Moreover, it would be also possible to reduce the requirements of Europe as a whole in relation to the rest of the world; thanks to the expansion of German industries and to the rationalisation of Eastern European agriculture, it would be possible to reduce the import of non-European manufactures and agricultural products. The extended use of substitutes will also tend to reduce non-European imports of every kind.

Nazi propagandists are doing their best to show the great advantages of the "New Order in Europe" for the participating countries from the point of view of their non-European trade. They are equally anxious to convince non-European countries that they stand to gain by the establishment of the "New Order in Europe". They are told that it is much simpler to deal with one large unit than with a number of small units; the example of the United

States as a prosperous customer is frequently quoted to prove the advantages of the establishment of a "United States of Europe" from the point of view of non-European countries.

The origins of the Nazi idea of monopolising the foreign trade of Europe were already noticeable during the period of peaceful penetration in the Danube Basin and the Balkans. The German negotiators offered to the Danubian and Balkan Governments to buy the whole export surplus of their countries and to provide them with all the overseas products they required. The proposed arrangement would have amounted to granting to Germany a foreign trade monopoly. None of the South-Eastern European countries was prepared to conclude such an agreement. Even though Germany's share in their foreign trade increased year after year, especially after the bloodless conquest of Austria and Czecho-Slovakia, the South-Eastern European Governments were anxious to retain at least a small part of their foreign trade under their own control. This was due in part to political considerations; they were reluctant to agree to an arrangement which would have inevitably increased German political control over their countries. From a purely commercial point of view too, they felt they would be at a grave disadvantage if they placed their foreign trade entirely under German control. Bitter experience derived from foreign trade with Germany during the Nazi régime had taught them to be distrustful.

Since the German Government was unable to obtain the consent of the South-Eastern European Governments to a monopoly over their foreign trade, it set out to secure such a monopoly against their

wish. To that end it bought up their goods far in excess of German requirements and resold the surplus at a loss to countries which were formerly supplied directly by the South-Eastern European countries themselves. Germany could afford to lose on these transactions for the simple reason that while she did not pay cash to the South-Eastern European countries, she obtained cash from the ultimate buyers of South-Eastern European goods. Moreover, it was well worth her while to put up with nominal losses because, as a result of these transactions, Germany succeeded in spoiling the non-German markets of South-Eastern European countries. German re-exporters of Turkish raisins or Bulgarian tobacco undersold Turkish and Bulgarian exporters and the latter were unable to retain their normal markets. They had no alternative but to approach Germany to buy their unsold exportable surplus. What Germany was unable to achieve by means of straightforward negotiation she achieved to a large extent by means of trickery.

Germany also succeeded in securing for herself an almost monopolistic position as a supplier of non-European goods to South-Eastern European countries. Since these countries sold to Germany the bulk of their exportable products, they had very little free foreign exchange at their disposal and were not in a position to place big orders for cotton, jute, coffee, tea and other overseas requirements. They had to buy these products through the intermediary of Germany, and the latter took due advantage of her strong position. At that stage, however, Germany restrained her appetite, as it was politically inexpedient to exploit the South-Eastern European countries to the limit of possibility.

After the invasion of a number of European countries, Germany took full charge of the control of their foreign trade. The export of their goods needed by Germany was of course immediately prohibited. They were allowed to continue to export certain goods outside German-controlled territory, however, in order to procure much-needed foreign exchange. Indeed, in some instances they were compelled to over-export, that is to export what they would have needed for home consumption ; and their supplies, already sadly reduced through German requisitioning and purchases, were further depleted by such forced exports.

An outstanding feature of the non-German foreign trade of countries under German occupation has been the export of art treasures and other valuables. This has been the result of the systematic pillage of the art collections of the conquered countries by the German occupation authorities. In Paris, for instance, a census of the unoccupied houses and flats was taken immediately after the entry of the German troops, and during the following months the Germans were busily engaged in removing every valuable object which could be sold abroad. Apart from plundering private art collections, they also removed valuable objects from museums, even though their wholesale plunder has been deferred. Most of the valuables and objects of art thus secured were exported to Spain and Portugal in the first instance, and thence to the United States and other overseas countries. Some of these consignments were seized by British contraband control, but much of it succeeded in finding its way overseas. Many overseas collectors found it difficult to resist the temptation to buy hitherto

inaccessible paintings and other art treasures or historical relics, even though they were vaguely aware that in doing so they were guilty of receiving stolen property.

The German system of plundering and exporting art treasures showed that the Nazis were quite capable of solving the problem of transferring reparations payments. During the period that followed the Treaty of Versailles, the most difficult problem that confronted experts all over the world was to devise methods by which German reparations payments could be transferred to the recipient countries without thereby wrecking the German financial system, and, at the same time, inflicting grave harm upon world economy in general and the trade of the recipient countries in particular. The Dawes Plan and the Young Plan were meant to provide a solution but both of them only provided a palliative, since the only way in which Germany paid reparations under those plans was by borrowing abroad twice the amount she paid to the Allies.

The Nazis have now shown the world that it is possible to devise a method of collecting reparations without any of the ill effects feared by Allied and American statesmen during the peace conference and subsequent negotiations. On the one hand there are the conquered countries whose museums, picture galleries and private collections are full of highly valuable treasures ; on the other hand there are the art collectors of the New World, who arrived too late on the scene to secure the best specimens of European art and who are very anxious to secure any specimens that come to the market. There is nothing easier than to export from Europe to the United States the

art treasures, whose value runs into hundreds of millions of dollars. This process may take years, since the sudden export of all the treasures of the Louvre and other museums and art galleries of German-occupied Europe would provoke such an outcry in the American Press that the authorities would certainly intervene to stop the disgraceful traffic. If, however, the stolen property is disposed of gradually, the desired result may be achieved in the course of time. One of the more or less permanent features of European foreign trade under the "New Order" will thus be the westward flow of art treasures. It goes without saying that Germany is the sole beneficiary under this foreign trade.

The imports of the conquered countries from non-German foreign countries are of course reduced to bare necessities; in many instances the object of the imports is to replace the goods stolen by Germany after the conquest. For instance, the sugar reserve of Norway was entirely depleted after the German occupation. In order to meet urgent requirements, Sweden consented to sell a certain quantity of sugar to her neighbour. Under the "New Order" Germany will secure for herself the maximum of imported raw materials, and the proceeds of exports by German-controlled countries will be used largely for that purpose. In any case the raw material requirements of these countries will become reduced, as a result of the dismantling of many of their industrial plants. For the same reason, and also owing to the permanent reduction of consumption by the civilian population, their imports of petrol and other fuel will also be reduced to a fraction of their amount before their conquest.

It goes without saying that from the point of view of the conquered countries themselves, it is largely a matter of indifference what terms Germany will secure in the course of the negotiation of trade agreements between German-controlled Europe and overseas countries. If the prices paid for her exports are high, it is the new German owners of her exporting industries and business houses that stand to benefit.

From the point of view of non-European countries the establishment of the "New Order in Europe" is not likely to secure any commercial benefit. German propaganda agents are at present doing their best to convince them that, once the war is over, Europe under German guidance would resume her purchases of their goods which are at present unsaleable owing to the closing of the European markets through the British blockade. As a matter of fact, under the "New Order" normal European purchases would be considerably reduced in respect of many commodities. The United States would stand no chance to compete with German industries in the conquered countries where Germany will certainly not adopt the principle of the open door and equal opportunity for all. While Germany will be anxious to buy stocks of raw materials and food in anticipation of another war, the current purchases of non-German European countries will be kept very low. There is indeed no particular reason why Germany should allow the subject races to consume more imported goods than is indispensable.

Moreover, the non-European countries would soon discover that they have to deal with a very dangerous trade rival. Germany would be in an even better

position to cheat them with the aid of aski marks and other currency tricks than before the war. She would be also in a position to drive hard bargains in the absence of competition from other European States. The Nazi Press strongly disapproves of the tendency of countries in the Western Hemisphere to come together in a Pan-American union. Germany would prefer to deal with the Latin American countries separately, in order to play them up against each other while enjoying herself the position of sole negotiator on behalf of Europe.

In order to be able to accumulate stocks of raw materials, Germany will unload her stolen gold upon the United States and upon other non-European countries. To that end she is even prepared to revert to some form of gold standard, for fear that otherwise the United States might be induced to place an embargo on the import of gold. Once she has unloaded the stolen gold, then she is always in a position to discard the system.

Nazi propagandists engaged in an effort to popularise the "New Order" system in the United States are fond of drawing a comparison between the United States of America and the proposed United States of Europe. They point out the advantages of dealing with the Federal Government instead of having to deal with the State Governments separately. The difference is, however, that generally speaking the Federal Government represents the interests of the component States of the Federation. While in many instances the interests of various States are by no means identical, on the whole the interests of the majority are well represented in international trade negotiations. On the other hand the German Govern-

ment as representative of German-controlled Europe will always represent exclusively German interests, to the detriment of the interests of German-controlled countries. This is a difference which ought to be borne in mind.

CHAPTER XIII

AGRICULTURE UNDER THE "NEW ORDER"

THE agricultural programme of Nazi Germany under the "New Order" scheme is of considerable importance, partly because it tries to appeal to the majority of the populations concerned and partly because its success would mean a high degree of self-sufficiency for German-controlled Europe. It is the ambition of the Nazis to convert all countries under their control into mainly if not exclusively agricultural countries. We saw in Chapter X that one of the main objects of this policy was to reduce the chances of their liberation from the Nazi yoke. Another object of considerable importance is, however, to reduce the dependence of the European continent upon imported agricultural products. To the same end the Nazis elaborated ambitious schemes under the "New Order" to increase the agricultural production per acre through the application of modern methods, which would also lead to a reduction in the cost of production.

Beyond doubt the agricultural situation in Europe since the last war has been far from satisfactory. A number of countries have adopted agrarian reform schemes which, while salutary from a social point of view, have led to a setback in production and to an

increase in the net cost. Peasant farming is by no means the most efficient form of agricultural production and to a very large extent constitutes a barrier to the application of efficient methods. While the vast farms of overseas countries benefited by the use of tractors and other agricultural machinery to an increasing extent, agriculture in Europe was to a large degree stagnant. In some instances it was necessary for the Governments of agricultural countries to support their peasant population in the unequal contest by means of wheat valorisation schemes. Generally speaking the world price of wheat during the greater part of the 'thirties left very little margin of profit for small farms in Europe working under unfavourable conditions compared with the producers of Canada, the United States and other overseas agricultural countries.

During the course of the South-Eastward trade drive, Germany took due advantage of this situation. Her policy aimed at raising the domestic price level for agricultural products in South-Eastern Europe well above the world price level. By such means she hoped to make the South-Eastern European countries increasingly dependent upon her purchases and to cut them off from their normal world markets. Another object of Germany's policy of paying high prices for agricultural products in South-Eastern Europe was to bribe the peasant populations into adopting a favourable attitude towards Germany. The predominant majority of peasants in Rumania, Hungary, Yugoslavia and other South-Eastern European countries knew little and cared less about world politics. They instinctively disliked and feared German domination. What interested them more, however, than problems

of foreign policy was the price of wheat. They were blissfully oblivious of the fact that by selling their wheat to Germany they contributed to some very slight extent towards bringing their country under German economic domination, and that economic domination was likely to lead to political domination. But even if they had been fully aware of the broader implications of their attitude, most of them would have thought that the sale of their own small quantity of wheat to Germany was such an insignificant item that it could not possibly make much difference to the extent of Germany's economic or political influence over their country, while they themselves benefited to a very considerable degree by being able to obtain favourable prices from the German buyers.

In such circumstances, farmers in South-Eastern Europe failed to understand and resented their Governments' occasional attempts to stem the tide of the German trade drive by limiting the export of their products to Germany. The Governments were bombarded with requests and peremptory demands to abolish any such restrictions, and members of deputations which besieged the Ministries showed themselves utterly obtuse in face of the logical arguments of Ministers trying to explain why it was contrary to their own interest that they should get the higher prices from Germany than they would get from other buyers. It would have been politically impossible in these predominantly agricultural countries to make a rigid stand against German economic penetration. Any such attempt would have led to the overthrow of the Government concerned by the peasant majority of the population, either by constitutional or by unconstitutional means.

The German policy of paying high prices for the products of South-Eastern Europe resulted in an increase in agricultural production in that part of the world. Needless to say it was not Germany's intention to keep up and increase production by such means. The device of paying high prices was a purely temporary one. It was applied even after the occupation of the countries at present under the German régime ; but, as I said in Chapter VII, the discovery by the farmers that the nominally high prices they obtained for their goods did not in reality mean prosperity for them was only a question of time. During the early phases of the "New Order" farmers may be tricked into increasing their production by skilful Nazi jugglery with prices and currencies. Once, however, they have discovered that they have been tricked, the peasants would turn intensely distrustful. Other methods would then be required to bring about a lasting increase in agricultural production.

It is the intention of the Nazi régime to bring about an increase in agricultural production in the conquered countries by means of the application of modern agricultural methods. Up to a point this could be done under the existing régime of small farms which prevails in most countries. Any really substantial increase in the production and any drastic reduction in the net cost would necessitate, however, the unification of small farms into big estates. This is actually the policy adopted in Czecho-Slovakia, where the land reform carried out after the last war was reversed after the German conquest. The former German-Austrian landowners obtained the restoration of the land which, under the Czecho-Slovakian Republican régime, was taken away from them and distributed

among the peasants. Presumably this will be done in other conquered countries in the course of time. It will be easy to find an excuse for depriving the peasants of their land, and, in any case, once the "New Order" is consolidated there will be no need for Germany to find excuses for her actions which she considers to be in accordance with her interests.

The German conquerors lost no time in bringing about fundamental changes in the agricultural systems of Denmark, Norway and Holland. Soon after the invasion these countries were ordered to slaughter a very large percentage of their livestock. This was done, partly in order to supply the German population with meat and fats, and partly in order to reserve feeding stuffs for German cattle breeders. Dairy farming in Denmark and Holland contributed in the past to a very considerable degree to national prosperity. It is now being reduced to a small percentage of what it was before their conquest by Germany. Admittedly to some extent this was necessary, owing to the shortage of feeding stuffs which were formerly imported from overseas. With a little goodwill and effort, however, Germany would be able to allow to Denmark and Holland fairly substantial amounts of feeding stuffs out of her imports from South-Eastern Europe. Instead she prefers to keep the limited supplies almost entirely for her own use, in order to encourage German dairy farming. Since dairy farming is the highest form of agricultural production, it must be reserved under the "New Order" for the *Herrenvolk*. Let the subject races confine themselves to wheat-growing! Nazi spokesmen candidly admitted on many occasions that under the "New Order" the Dutch and Danish populations

will have to consent to a lowering of their standard of living through the change of their agricultural system, in order to occupy the place allotted for them under the "New Order". Evidently the reduction of cattle-breeding and dairy farming in the conquered countries is not merely a temporary device due to the shortage of feeding stuffs, but forms an integral part of the "New Order" scheme.

The result of the change in the agricultural system in Northern and Western Europe will be that land will not be able to support the same number of people as hitherto. A large proportion of the agricultural population of the conquered countries will become unemployed and will be available for German industries. The application of modern agricultural methods will produce the same result in South-Eastern Europe. Altogether millions of hands will become superfluous in agriculture and will join the ranks of the industrial proletariat which will gradually be absorbed by the expanding German industries. The density of the population of the conquered countries will thus decline, which again will make it easier for Germany to keep them under perpetual subjection.

Nothing can illustrate better the duplicity of Nazi propaganda and the insincerity of the promises made by the authors of the "New Order" scheme than the fact that, while they promise to bolster up peasant farming in South-Eastern Europe, in reality they are planning to replace it by more efficient modern methods.

Beyond doubt the application of German agricultural plans under the "New Order" will lead to a material increase in European agricultural production. The sole beneficiary from this increase will

be Germany ; all the other countries will suffer grave disadvantages through the application of the German programme. It will contribute to no slight extent towards the reduction of the standard of living in the conquered countries, a reduction which is considered justified by the conquerors since it serves the purpose of improving the standard of living of the German *Herrenvolk*.

CHAPTER XIV

WHITHER GERMANY ?

It cannot be emphasised sufficiently that the "New Order" scheme is far from being static. Even during its brief existence since the conquest of Western Europe it has undergone some far-reaching changes, and it is changing constantly. Its evolution is liable to be influenced by military, diplomatic and political developments. In the military sphere, if Germany is defeated it will mean of course the end of the "New Order". A genuine New Order will then be introduced through the collaboration of the liberated nations with Great Britain. If the present war is prolonged during a number of years without any decision being reached, then the "New Order" will discard every pretence to serve the interests of the conquered nations and will frankly assume the character of a permanent arms drive in the interests of German victory. If the result of the war should be a stalemate by which Great Britain would retain her overseas power, while Germany would remain in possession of her conquests on the Continent, the main object of the "New Order" would be to assist Germany in preparing the next war against Great Britain. Should Germany be victorious over Great Britain, then the main object of the "New

Order " would become to assist her in preparing for the conquest of other continents. Indeed, the " New Order in Europe " must be regarded as an initial phase in a more ambitious Nazi scheme which would be known, after the complete conquest of Europe, as the " New World Order " scheme.

Political and diplomatic considerations are liable to influence the " New Order " scheme by tending to bring about a swing to the Right or to the Left in German economic and political policy. Ever since the Nazi régime came to power it was fluctuating between Right and Left. Nazi leaders were always anxious to pay lip service to the essentially Socialistic character of the régime. Even Field-Marshal Goering, who is regarded as the head of the Right wing of the Nazi party, once remarked in 1933 that, in the name of the National Socialist Party, the accent was on " Socialist ". This, however, did not prevent Hitler and Goering from carrying out the blood purge of June 30, 1934, against those leaders and members of the party who were pressing for a swing to the Left. During subsequent years, nevertheless, there was an unmistakeable Leftward trend in Nazi economic policy. The industrialists, who in 1933 helped Hitler to assume power, were gradually reduced to a rôle which was hardly more than that of paid manager in their own works. They had to suffer a high degree of interference by party organs and petty Government officials, and their income from dividends was subject to rigid limitation. Indeed, while retaining most outward forms of the capitalist system, Germany under the Nazi régime was gradually approaching a form of State Socialism.

After the conquest of a number of countries this

Leftward trend was maintained. The occupation authorities aimed at ingratiating themselves with the working classes, in order to gain their collaboration in consolidating their régime. Although the trade unions were either dissolved or reduced to impotence, the occupation authorities sought to assume the rôle of the protectors of the working classes. Employers were forbidden to reduce wages, and in cases of industrial disputes the workmen received support from the German authorities. Admittedly this was due in part to the desire to ruin employers, in order to prepare the way for the acquisition of German financial control over industrial undertakings. Once the Germans were in possession the workmen found the occupation authorities much less sympathetic towards their cause.

After a few months of futile attempts the Nazis realised that the working classes in the occupied countries were not in the least prepared to respond to their overtures. Thereupon they changed their policy and from the early autumn of 1940 their aim was to play up employers against workmen. There was a distinct swing to the Right in the Nazi attitude in conquered countries. Attempts were made to bribe the local financiers and industrialists into collaborating with Germany. This was to some extent successful in Belgium and also in France, where the mainstay of the Vichy régime was the class of industrialists and financiers who hoped to be able to retain their wealth with the aid of the German invaders.

The Nazi swing to the Right failed completely to produce any effect in Holland or in Norway, where all classes remained patriotic and refused to be bribed into collaborating with the enemy. In the case of

Holland in particular a variety of bribes was offered to the wealthy classes. The Dutch people were, however, intelligent enough to see that in reality these bribes were paid out of Dutch money, so that they did not in any way constitute a sacrifice on the part of Germany or an advantage to the Dutch nation as a whole. In Poland and Czecho-Slovakia the capitalist classes were gradually being expropriated by the invaders and their property transferred to German capitalists. The majority of capitalists in most occupied countries was intelligent enough to realise that this was to be their ultimate fate under a prolonged German régime.

One of the objects of the German Rightward swing during the autumn of 1940 was to influence the results of the presidential election in the United States. It was hoped in Berlin that Mr. Willkie's chances of being elected would be improved to some extent if there was evidence of a swing to the Right in Germany and in German-controlled Europe. After the result of the presidential election the swing to the Right was maintained as a means of influencing American business men against President Roosevelt, and as a means of slackening their war effort in favour of Great Britain. Nazi propagandists in New York and in the great industrial centres of the United States were doing their utmost to convey the impression among business men that a German victory, or at any rate a peace treaty which would leave Germany in possession of the European continent, would mean prosperity for American trade. These propagandists were anxious to allay American fears aroused by the radical character of the Nazi movement. To be able to do so it was necessary for Berlin to reverse the

trend to the Left which began to alarm the American business community.

In reality swings to the Right or to the Left have very little practical meaning in Germany. They are resorted to as a matter of expediency, but in practice they do not amount to any departure from the existing balance of power. Germany and German-controlled Europe is ruled by a party oligarchy whose first aim is to look after itself and whose second aim is to improve the standard of living of the German ruling race at the expense of every other race. During the years that preceded the war the luxurious living of corrupt leaders such as Goering and the wealth piled up in Germany and abroad by other well-known Nazis was in sharp contrast to the poverty and privations forced upon the German nation by the requirements of rearmament. During the war this contrast continued to prevail, for the necessity to make the utmost war effort made it impossible to improve the standard of living of the rank and file in spite of the conquest and plunder of a number of rich countries.

Even if the present conflict were to be terminated in accordance with the hopes of Nazi leaders, the German nation would have to wait for the promised improvement of its standard of living, for then it would become necessary to strain every nerve to prepare for the next war. It is not until Hitler has achieved his personal ambition by becoming the ruler of the world that it would be possible for the Nazi régime to settle down to the execution of its promises to the German nation. The utterly ruthless and highly efficient exploitation of all subject races would then enable the German leaders, in addition to piling up gigantic fortunes for themselves, to secure a high

standard of living for the German race. It would be converted into a race of warriors, administrators and superior workmen whose task is to police and rule the conquered countries, and who would occupy the key positions in the system of production all over the world.

Meanwhile, however, the rank and file of the German nation has to be kept on short rations. And since the conquest of five continents would not in any case be accomplished in a short time, even after the termination of the present war the Nazi leaders would concentrate for years to come upon feathering their own nests. The rest of the nation would have to be kept in hopes by promises about the ultimate improvement of its standard of living after the final victory.

The German nation takes it for granted that complete victory would secure for it unprecedented prosperity. For this reason efforts aiming at separating the German nation from Hitler are at the present stage utterly futile and ridiculous. Nothing British statesmen can possibly promise to Germany can compete with the promises made by Nazi leaders. These promises are in flagrant contradiction to the hypocritical pretence that the "New Order in Europe" is to serve also the interests of the conquered nations. When speaking for home consumption the Nazis frankly admit that the "New Order" will operate for the sole benefit of the German race. So long as there appears to be a chance that the Nazis will be in a position to carry out their promises, there is no hope for inducing the German people to break away from them. It is only if and when it becomes obvious to the German people that under Nazi leadership they are certain to be defeated, that they will

realise that the Nazi promises will never be carried out ; and it is only then that they will be inclined to turn against the false prophets.

For the conquered countries the " New Order in Europe " will bring nothing but suffering, ruthless exploitation and abject poverty. If the Nazis are given a chance to consolidate their " New Order " it means slavery for all conquered races. From this point of view there will be no difference between countries such as Italy or Hungary, which became Germany's allies ; countries such as Slovakia or Rumania, whose Governments voluntarily submitted to German occupation and were willing to collaborate with her ; countries such as Czecho-Slovakia or Denmark, which suffered German invasion without resistance ; or countries such as Poland, Norway, Holland, Belgium or France, which were conquered after the defeat of their armies. In the course of the years they will be all *gleichgeschaltet* ; they will be reduced to the status of Germany's European colonies. The frontier between, say, Rumania and Hungary will be no more important than the border between the counties of Sussex and Surrey. It is, therefore, absurd that Hungary should throw in her lot with Germany for the sake of adding to her territory. Under the " New Order " Hungarians and Rumanians alike will be reduced to the status of helots. Nor will there be any difference between the treatment of various classes within these countries ; indeed, after a few years of the German régime there will be only one class left—that of the proletariat, utterly exploited and impoverished and living on a bare subsistence level.

It is often argued that an attempt to revive slavery

again cannot succeed in the long run, and that sooner or later Germany will have to offer the inducement of an improved standard of living to the conquered peoples, in order to induce them to maintain and increase their production. The argument is based on the fact that during the course of history slavery always proved to be an uneconomic proposition in the long run. Never before in history, however, has slavery been applied by a slave-keeping nation as utterly unscrupulous and as ruthlessly efficient as Nazi Germany. The proof of the pudding is in the eating. The fact that the Germans have been able to maintain the production of war material in Czecho-Slovakia at a very high level shows that they have the means of forcing oppressed races to work for the greater glory and prosperity of the German Reich without any benefit for themselves beyond the bare minimum required for their existence.

The tanks which crushed their way through the Maginot Line and destroyed the French army were manufactured at the Skoda works by Czech workmen. Every one of these workmen was filled with hatred against their oppressor and yet they continued to work efficiently, knowing very well that in doing so they were forging their own chains, since their output was used for fighting the nations which aimed at restoring their liberty. If they can be compelled to work for the benefit of Germany at a time when there is still a chance for their liberation, how much more likely they would be to submit once these chances have disappeared. Should Britain be defeated or should she agree to leave Germany in possession of the Continent, the populations of the conquered countries would resign themselves to their fate and

accept such existence as their German lords and masters choose to determine for them. Under the threat of bayonets and rubber truncheons and in face of the ever-present fear of starvation as an alternative to working on a bare subsistence level, the millions of European slaves will toil ceaselessly, without any hope for an improvement in their fate, under the influence of the human instinct of self-preservation.

With the consolidation of the German rule over Europe, the fate of the conquered peoples could only change from bad to worse. While at present the Germans still consider it necessary to maintain some outward forms of decency, once their victory is complete they will be able to afford to discard all pretence. Their victims would then think back with longing to the days gone by when their oppressors considered it necessary at least to resort to trickery in their exploitation, instead of relying exclusively upon brute force. The world will then realise that what is described by Nazi propaganda as the "New Order in Europe" is in reality a very old order, the oldest order in history—that of the complete enslavement and extermination of the vanquished by the victor.

It goes without saying that, with the victory of Great Britain over Germany, the nightmare of the enslavement of Europe under the "New Order" will vanish. Yet there is a school of thought which maintains that even if Germany should be defeated she must be allowed to retain her economic domination over the Continent, or at any rate over her *Lebensraum* in South-Eastern Europe. Some advocates of the "Heads you win, tails you won't lose" attitude towards Germany go even so far as to insist that the economic parts of the "New Order" should be allowed

to remain in force. This would mean that Germany would be given a chance to continue to de-industrialise her small neighbours, in order that they should complete her economic system. This course would be entirely against the vital economic interests of the small nations concerned, which have every right to shape their economic structure in accordance with their own interests, and not those of Germany. But even if they were satisfied — which they are not — that they would stand to benefit economically from a voluntary acceptance of the “New Order” after Germany’s defeat, they would prefer a lower standard of living to German economic control which would prepare the way for political control after Germany’s recovery from her second great defeat.

The advocates of Germany’s economic supremacy believe, however, that it would be to the interests of Great Britain and of the Continental countries to appease Germany after her defeat by allowing her to apply the economic programme of the “New Order” even if this should be resented and opposed by the liberated nations. This is the conclusion of Mr. Guillebaud’s article, “Hitler’s New Economic Order for Europe”, appearing in the December 1940 *Economic Journal*. He argues that the existence of 80,000,000 Germans in Central Europe is a reality which cannot be disregarded in determining the shape of things in Europe. This means that, since Germany will remain a Great Power, and since she is determined to have her *Grosswirtschaftsraum*, she must have it, whether the small nations like it or not. In other words, the lion is in the arena, and by the fact of his presence there he is entitled to his Christians, no matter how the latter feel about it.

The acceptance of this principle would be in flagrant contradiction to Great Britain's war aim of liberating the small nations of Europe. What is even more important, this new attempt at economic appeasement would be no more successful than the pre-war attempts. It ought to be borne in mind that in 1939, when Germany decided upon war, between half and two-thirds of the trade of South-Eastern Europe was under German control. Germany was then well on her way towards introducing her economic "New Order" in the countries she claimed for herself as her living space. In spite of this she preferred war to peace.

Admittedly Germany is entitled to a large share in Continental trade. But she must deserve that share, and should not be given it in the form of a monopoly as the unjustified reward of her past behaviour towards the countries concerned. And these countries should retain their economic independence to be able to trade with anyone who offers them the best terms. For there is no reason to suppose that in the long run Germany would be satisfied with economic supremacy over them. It would be unwise to throw them at her mercy and thereby to give her another opportunity for attempting to force upon them the full political as well as economic programme of the "New Order in Europe".

In the interest of victory, it is essential that Great Britain should give the populations of the conquered countries the fullest possible assurance that after the war their economic independence and their vital economic interests will not be sacrificed for the sake of Germany's economic appeasement. In the absence of such assurance, the conquered peoples have little

inducement to risk their lives by committing acts of sabotage, or even to endanger their livelihood by refusing to collaborate with the conqueror. They may well think it useless to make such sacrifices if even in case of British victory they would be left at the mercy of Germany. Nothing short of satisfactory assurances that after a British victory Germany will be deprived of the possibility of ever securing domination over the smaller European countries will make it worth their while to take the maximum of risks in order to assist Great Britain in the task of defeating Germany.

THE END

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